

FROM DEPENDENCY TO SELF-RELIANCE: THE STATE, RURAL
ALLIANCES AND AGRARIAN CHANGE IN INDIA

By

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To
My Mother, Tripti Devi
and
In Memory of my Father
Chowdhry Jai Narain Singh

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Seen through the lens of both the neo-Marxists and the pluralists, state power is viewed always as an epiphenomenon, as serving the needs of societal classes or groups. This study examines the validity of both the neo-Marxist and pluralist schools to the process of agricultural modernization in India and suggests an alternative interpretation. It is centrally concerned with analyzing the role of the state in stimulating agricultural production, the resulting changes in the rural structure and the consequent changes in the policy making and implementation processes. The regional states of Punjab and Haryana of the Green Revolution belt are used as illustrative case studies.

This study finds that in the move from dependency to self-reliance through the Green Revolution, the traditional rural structures were altered and a new class of capitalist farmers emerged as a result of the Indian State's policies to modernize agriculture. The emergent capitalist farmers are politically oriented and have acted as a "class-for-itself" to influence agricultural price setting by penetrating the state apparatus.

Turning to the effects of such development in the political arena on the nutritional needs of the rural population, we find that government politics regulating the market in wheat and paddy are biased in favor of the capitalist farmer. The penetration of the political apparatus by the capitalist farmers is itself the cause of the increasing incidence of rural poverty and the increasing dependency of the agricultural laborers on the capitalist peasants. The study suggests that the food distribution system has evolved into a price support program for the rich farmers to the exclusion of serving the nutritional needs of the "vulnerable" population.

CHAPTER I

INTRODUCTION: THE STATE AND AGRARIAN CHANGE

The prominent role of the state in development is inescapable. In particular state policies have had a formative impact on the development or the underdevelopment of the agrarian sector through policies of price subsidization of agricultural products, marketing strategies, land reform, provision of infrastructural facilities, agricultural extension programs and the management of rural social conflict. Disagreement on the outcomes of state intervention in agrarian change abounds. For some students of agrarian change, state intervention is the cause of underdevelopment of the agricultural sector (Schultz, 1976; Bates, 1981, World Bank, 1981). They suggest that if state intervention in agriculture were to be halted, agricultural underdevelopment would also end. Others insist that state intervention in agricultural policies is essential if certain needs of agricultural modernization are to be met (Lewis, 1986). For instance, the subsidization of inputs for agriculture, remunerative prices for agricultural commodities, provision of infrastructure facilitating marketing of commodities, are mostly the responsibility of states and

provide farmers with incentives to adopt the new technology for agricultural modernization.

The case of India provides us with a useful point of entry into the study of problems of state intervention in agrarian change. The "success story" of India's Green Revolution has been analyzed repeatedly from varying, often contentious perspectives. Disagreements over the success and failure of the Green Revolution abound. However, few analysts would disagree that the policies of the Indian State have had a formative impact on Indian economic development in general and in particular on the development of the agricultural sector. There is substantive consensus among scholars on the interventionist nature of the Indian State as well as on the importance of this intervention for the economy.

In the agricultural sector, particularly the food sector of, state intervention has always been prominent. From the Permanent Land Settlement Legislation (discussed in Chapter II) introduced under the colonial state to the abolition of Zamindari (landlord) rights in the post-independence period, the Indian State has regularly intervened in the agricultural sector. In this study I will show that the degree, nature and reasons for state intervention have changed over the years. State intervention has moved from one extreme to another--from interventionist policies that altered agrarian structure

to benefit either the metropolitan, colonial bourgeoisie (Baran, 1957) or the urban industrial sector (Lipton, 1968) to interventionist policies that are protectionist in character favoring the modernization of the agricultural sector. During the past two decades we find that the Indian government has been adopting more and more protectionist policies towards agriculture, as shown in particular by its pricing policies. Pricing policies have formed the basis of state interventions which affect the subsidization of agricultural inputs as well as the procurement prices offered by the Agricultural Prices Commission.

Purpose of the Study

This study is concerned with analyzing the role of the state in the formulation of policies that have stimulated agricultural production in India and the main social, political and economic consequences of such policies. It analyzes the process of agrarian change in light of state policies and the development ideologies from which these policies are derived. The origins of these policies can be traced to a combination of the ideology of state leaders as well as their concerns about securing electoral approval (Kohli, 1987, p. 242).

I argue that state elites have varying preferences on development strategies, i.e. state elites have different ideas about how best to pursue development. It is also

suggested that state elites formulate and implement policies by creating and building their own bureaucratic and institutional bases. India's agrarian revolution did not just happen. Its roots lie in the changing political coalitions that have accompanied the first decades of independence. Thus the three important variables involved in this study are--ideology of state elites, institutional base from which these ideologies are pursued and the development of political coalitions that ensure the successful implementation of these strategies.

The agrarian revolution led by the Indian State altered the rural class structure. As a result of this alteration a class of capitalist farmers¹ emerged and have come to bear influence, through various means, on the policy making process of the Indian State.

This study will focus on the North-Western states of the Indian Federation--Punjab and Haryana--to illustrate the case. The distinction between the Indian State and the regional states as constituent units of the Indian Federation is crucial to our understanding of agrarian change. The Indian State is the political administrative apparatus which has the authority to formulate and implement decisions. Punjab and Haryana are the constituent units of the Indian State and are therefore subject to its authoritative decisions. In agriculture, the Indian State has been critical through the control

over resource allocation and the control over price setting. However, we also suggest that the emergence of the capitalist farmer has altered the process of policy making and implementation in India.

State Policy and Agrarian Change

In general, the literature discussing reasons for state intervention in policymaking can be broadly classified in two categories--pluralist and Marxist (Nordlinger, 1981, pp. 43-71). Both pluralist and Marxist studies of state intervention, Eric Nordlinger has usefully suggested, are "societal" or society centered in focus. Society centered explanations for policies and governmental activities have dominated the discipline of political science since the 1960s.² According to these theories societal actors constitute the moving force behind state initiatives. The state itself is seen as an exogenous variable, a compound that reacts only when the catalytic agent of societal force is present.

Pluralist approaches claim that state policy reflects the interests of contending groups (for a clear paradigmatic statement see Truman, 1951; for India see Weiner, 1962; Kothari, 1967; Kochanek, 1968, Fadia, 1980). This approach focuses attention on societal "inputs" to government and on the socio-economic impact of governmental "outputs." According to this school, government is then simply the arena in which "social

classes or interest groups contended or allied with one another to influence the making of policy decisions" (Skocpol, 1982, p. 2). This view is also taken by the works of the pluralist and the structural functionalist schools (Almond and Coleman, 1960; Almond, 1965; Almond and Powell, 1966).³ In the functionalist model the state is seen as standing above and separate from society. Proceeding from the political market model, which is an application of the economic market model to politics, the pluralists see society as being composed of various groups all making competitive demands on state resources. The state operates on the basis of neutrality, fair action and efficiency maximization to convert demands into fair legislation. "Given free competition, the system produces a 'fair' result, just as in the economic market model" (Alavi, 1982, p. 290). Thus the pluralist policy model yields functionalist conclusions about the performance of the political system. In most works there is very little sensitivity to the way in which the uneven distribution of resources makes some classes or segments of society more influential than others, how the state itself might incorporate certain interests which would run counter to its presumed neutrality, or how state actors might have individual preferences and perceptions of development that could affect policy decisions.

The pluralist paradigm studies, applied to the Indian case, have overemphasized certain characteristics of rural India and neglected other aspects of the political equation. Most of the pluralistic studies on rural India are "micro" in nature and use anthropological techniques to analyze the dwelling place and cultural interactions of rural peoples. We are constantly reminded of the pervasiveness of caste, the complexity of analyzing a rigid, hierachial system, and the existence of a multilingual, multiethnic unit (Singer, 1959; Halpern, 1969; Beteille, 1972).

Although macro-level studies trace the linkages of organized groups to political decisions (Rudolph and Rudolph, 1967; Kochanek, 1974), few such studies are available for the rural sector. Political scientists tracing the effects of organized group activity on policy decisions have correctly emphasized the dominant role of the state in agricultural policy in India (Weiner, 1962, pp. 148-157). But again, few such studies are available for the rural sector.

Marxist analyses of the political process also tend to focus on social relationships and the economy. Marxist discussions of the state typically follow the model presented in the Communist Manifesto (Marx, 1888). In this rather neat model, the state is conceived in an "instrumentalist" fashion as a "committee for managing the

common affairs of the whole bourgeoisie" (Marx, 1888, p. 132). Groups in society, performing broadly the same task in the economic system, are aligned on a class basis and are the focus of traditional Marxist studies. The state is seen by Marx, Engels and most of the traditional Marxists as parasitic, as epiphenomenal, as a factor of cohesion, and as a set of institutions that favor the dominant mode of production (Jessop, 1977, pp. 354-357).

Starting in the sixties, the neo-Marxist rehabilitated the role of the state as a key dimension of political analysis, but nonetheless paid little attention to its autonomous policy making functions. Whether it is the socio-economic background of state officers (Miliband, 1969), or the factors of cohesion of "power blocks" and "power factions" (Poulantzas, 1973), the state is reduced even in neo-Marxist studies to being merely an arena for class struggle or class rule (Poulantzas, 1973; Therborn, 1978). Even Frederick Block, who goes furthest among the neo-Marxists to claim autonomy for the state, concludes that beyond the maximizing propensity of state managers lie "particular patterns of class relations that reinforce limits on state managers" (Block, 1980, p. 299).

Marxist analyses of rural underdevelopment/development in India have attributed agricultural backwardness to the existence of semi-feudal structures (Bhaduri, 1973; Desai, 1961; Sen, 1962), or to the class

affiliations of the Indian State (Bardhan, 1984). With regard to the agricultural economy of India and rural social relations, the state has been often perceived as the rural social reformer, creating rural land tenure legislation in the guise of a populist reformer (Herring, 1983). From the Marxist perspective, such type of state action can be easily explained as an effort to ameliorate the revolutionary tendencies prevalent in the rural areas and brought about by the inequalities of rural India. The failure of land tenure reform legislation is explained, on the other hand, in terms of motivations of the state directed by the class nature of the state. In both cases, the state is seen as playing a secondary, derivative role.

In the analysis of agricultural development in India, the pluralist as well as the Marxist perspectives hold considerable explanatory power. However, we do not adopt either of the two perspectives because both tend to shift the analysis away from the role of the state to that of societal groups and actions. In particular, they ignore political initiatives that stem from the development ideologies of state elite. Both perspectives, leave important agricultural developments unexplained. "For example, these perspectives fail to explain the timing of state action (Grindle, 1986, p. 15), particularly the decision to pursue policies encouraging agricultural modernization in the late 1960's. This decision preceded

the emergence of a class of agricultural entrepreneurs--the capitalist farmers. It was also pursued in strong opposition to the demand of the urban industrial class for greater allocation to the urban industrial sector. They also opposed the allocation of resources for agriculture. In light of these facts, both the Marxist and pluralist analysis of policy fail to explain the interventionist state. Since the absence of both classes and groups that would have benefitted through the process of agricultural modernization is marked, it is essential that we shift the focus to a more state centered explanation of the changes visible in the agricultural sector.

Furthermore, we cannot explain the interest of the Indian State in pursuing agricultural modernization by utilizing the explanations of the dependency school. Though used repeatedly by dependency theorists of both the Marxist and the non-Marxist persuasion (Amin, 1974; Cardoso and Faletto, 1979; Evans, 1979; for India see Sen, 1962),⁴ it fails to provide convincing reasons for state intervention. First, a significant penetration of foreign capital in agricultural production, finance and processing did not occur until the 1970s in India. Second, neither foreign capital nor foreign donor states have been able to influence Indian policy decisions extensively (Krupadanam, 1982).⁵ With regard to food aid shipments to India,⁶ we find that even though the United States was the largest

donor of P.L. 480 shipments, the policies of the government of India were not influenced by the decision of the U.S. to stop shipment of food aid in 1972 (Krupadanam, 1982). The explanation for the Indian policy of agricultural modernization must be sought, in short, in the ideas and decisions of India's own government officials.

The State in Politics

In the past decade or so, there has been a resurgence of interest in the role of the state as a vantage point from which to analyze the inconsistencies in policy formulation and implementation (Katzenstein, 1978; Krasner, 1978; Stepan, 1978; Skocpol, 1979). This tendency to "bring the state back in" (Skocpol, 1982) departs in some important ways from the traditional studies of the state in the early fifties. The latter were basically formalistic in orientation and emphasized the legal and constitutional aspects of state systems. This rather rigid view stood in the way of developing any dynamic theories of the state and made short shrift of relations between the state and civil society. The new literature by contrast is anything but static or formalistic in character.⁷ According to this "statist" school, states can take autonomous decisions, i.e. decisions that reflect the ideologies and preferences of state leaders and are not necessarily reflective of the demands of societal

groups or classes. "States or parts of states, have been identified as taking weighty autonomous initiatives, going beyond the demands or interests of social groups, to promote social change, manage economic crisis, or develop innovative public policies" (Skocpol, 1982, p. 1).

Research emphasizing the prominence of the state can be broadly classified into two broad categories, namely corporatist and bureaucratic policy models (Grindle, 1986, pp. 16-17). The corporatist model (Stepan, 1978; Schmitter and Lehnbruch, 1979)⁸ focuses on the state and on the matrix of interactions between state and civil society. According to the model the capitalist state remains relatively autonomous despite the representation of interests. The state acts in conjunction with but is not subordinate to the particular organized interests that participate in the policy making process. Interest group activity occurs, in other words, under the control of the state. The dominance of the state is ensured by its role as the initiator of most policy. Despite the emphasis on the autonomy of the state, several pertinent issues remain unaddressed. The state is perceived very much in the tradition of the realist school in international relations⁹ as a monolith, a unified entity with no divisions between intrastate actors. Using this paradigm to analyze the role of the Indian state--the development ideologies of state elites--in agriculture, in which

various state actors were in conflict over sectoral resource allocation, several questions remain unanswered. The model ignores conflicts between state actors, which are important to an analysis of the Indian case. Using this model we cannot explain the urban bias of Nehru's regime or the rural bias of subsequent regimes.

The bureaucratic policy model differs from the corporatist model in focusing on the political demands placed by various state agencies on the policy making apparatus (Allison, 1971). On closer inspection, the inadequacy of this approach to our discussion stems from its inability to combine the matrix of civil society with the development ideologies of state leaders (Grindle, 1986, p. 17). It is clearly unable to illucidate the pattern of relations between state and society, since in the bureaucratic policy model "linkages to society are left unaccounted for or are considered to be part of bureaucratic games in which public agencies acquire support groups to press organizational or sub-organizational interests on formal decision makers" (Grindle, 1986, p. 17).

In their efforts to reinsert the primacy of the state, both the corporatist and the bureaucratic policy models seem to have neglected important aspects of political reality. The bureaucratic policy model while including state actor differences has neglected the

interactions between state and societal actors. It is as if states work in a vacuum and are free from the pressures of "politics." The corporatists, emphasizing the supremacy of state actions, treat the state as a body composed of homogenous actors. Differences between state actors are hardly ever discussed and usually glossed over. State actors constitute an important reference point because they help us understand where state actions end and societal influence begins, and why some state actors are more vulnerable than others to societal pressures. For example, in a democracy politicians are more susceptible to voting pressures than are administrators.

A third approach, that focuses on the role of state elites in policy formulation and implementation is the "dominant state" or the "statist" model (Nordlinger, 1981; Skocpol, 1982; Bardhan, 1984; Rueschemeyer and Evans, 1985; Grindle, 1986; Kohli, 1987). Different from both the corporatist and the decision-making approaches, this model focuses not only on state elites but also on the interactions between state and civil society. It views state elites as important organizational actors, yet, it also concedes that the position of the state in society entails serious constraints on state actions. But a focus on these constraints tends to downplay the "large range of choices in goal formulation, agenda setting and policy execution that the state leadership usually has, and the

powerful impulses shaping policies and actions that are generated within the state" (Bardhan, 1984, pp. 33-34).

Preferences of state leaders may be generated within the state (because of institutional constraints as well as national goals) or from the wider society (Nordlinger, 1981). The critical point with regard to these preferences, according to the statist approach, is that the origins of these preferences is not important. What is important is the effect these preferences have on the formulation and implementation of policies. According to this perspective, policies "are not formulated or implemented to "curry favor or avoid punishment from particular societal groups" (Krasner, 1984, p. 20), rather these policies reflect the preferences of state elites. This is the perspective that is adopted in this dissertation, for it allows us to explain how the beliefs of national leaders and their development ideologies influence the formulation and implementation of policy. It provides us with an alternative to "understanding the state, as little more than an arena for class interest, or bureaucratic conflict" (Grindle, 1986, p. 18).

The state is perceived, in this dissertation, as the government--the activity or process of governing and the inducing of others to behave in specified ways. Thus, the officials who occupy central political and administrative positions perform vital roles in the state apparatus.

These officials have preferences and ideas about development strategies. The development ideologies/preferences of these leaders are, therefore, important in explaining policy decisions. To ensure the successful implementation of policies, state leaders create bureaucratic institutions, put together supportive coalitions and influence budget allocations. This enhances the ability of state leaders to influence policy outcomes as well as their ability to shape political, economic and social conditions in society.

Applying this model to India, we see that society was dominated by an overdeveloped state at the time of independence (Banerjee, 1984; Bardhan, 1984). The historical legacy of a powerful Mughal State as well as the colonial British State in India had vested extraordinary powers in the Indian State. This legacy of an overdeveloped, extremely powerful state has allowed the Indian State to dominate policy making in India. It has also given the Indian State the ability to implement policies even in the face of divergent preferences of society. For example, the decision of Jawaharlal Nehru to develop a public sector with monopoly over heavy industry-coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephones, telegraph and wireless apparatus and mineral oil--was implemented despite the contrary demands of the bourgeoisie. It was made possible

by the fact that at the time of independence, the Indian bourgeoisie was extremely underdeveloped as a class.

In the next era, Prime Minister Shastri was able to allocate greater resources to agriculture despite the objections of the bourgeoisie. The Indian bourgeoisie wanted greater resource allocation to the private sector and resented the budgetary increases for the agricultural sector. However, Shastri was able to increase the resource allocated to agriculture.

The nationalization of banks under Indira Gandhi is another example of successful implementation of state policy, reflecting the preferences of a particular set of state elites. Until 1969, banks in India were in the hands of the private sector. Indira Gandhi wanted the resources of the banks to be reserved for public purpose (Carras, 1979, p. 138). The bourgeoisie, which controlled the banks were vocal in their opposition to her scheme. Gandhi was nonetheless able to nationalize the banks in 1969.

In all these instances top government officials were able to implement their policies despite the divergent preferences of societal actors. To facilitate the domination of the state elites over policies, the state in independent India "accumulated powers of direct ownership and control in the economy to an extent unparalleled in Indian history" (Bardhan, 1984, p. 38). The Indian State now controls more than 60% of all productive capital in

industry. It runs 8 of the top 10 industrial units in the country, employs almost two-thirds of all workers in the organized sector and has regulatory control over private investment (Bardhan, 1984, p. 38).

State elites in India have been able to formulate and implement policies based on their own ideological preferences. They have been able to do so, in part, because of the aura of legitimacy that derived from their participation in the freedom movement. However, in recent years, as the leaders of this generation have passed away, we find that the societal constraints on the state are becoming more and more binding. Furthermore, as we shall see in Chapter VI, these constraints have seriously interfered with the functions of the public economy.

The State and Agricultural Market: The Political-Economic Nexus

The starting point of our analysis, of Indian agriculture, is a mental artifact--a concept of the agricultural producer as a rational actor engaged in cost-benefit analysis (Bates, 1981; Schultz, 1976; Popkin, 1979). It is assumed that the agricultural producer is an economic actor who reacts to the market incentives that are offered him. If improper incentives are offered to the agriculture producers, then the agricultural producer reacts by either cutting back on production¹⁰ or by switching the crop he produces.

Farmers are seen as standing at the crossroads of three major markets. "Their real income depends upon their performance in these markets. They derive their revenues from the sales they make in the first of these markets--the market for agricultural commodities. Their profits are functions of these revenues, but also of the costs they incur in a second major market--the market for factors of production. And the real values of their income is determined by the prices they must pay in a third major market, the market for consumer goods, particularly commodities manufactured in the city" (Bates, 1981, p. 3). On the basis of this mental artifact, it is expected that farmers will react favorably to increases in prices of agricultural commodities as well as to decreases in the prices that are paid by them for input factors and manufactured goods. Thus if the terms of trade favor the agricultural sector, farmers will produce more. Consequently, farmers will find it in their interest to alter the terms of trade in favor of the agricultural sector.

We are making a claim for the "rational, maximizing" farmer, who increases production not only because of the easy availability of the new technology of the Green Revolution, but also because he responds to the market incentives that are offered to him. In direct contrast to Bates' argument (1981), according to which the African

peasant uses the "market against the state," the Indian state intervenes in the market to provide positive incentives to the producer of food grains in the form of price supports.¹¹

The political and economic interaction between the state and the farmers indicates that the market can be used as a political arena (Bates, 1981, p. 6). The state intervenes in the market to influence the behavior of rural producers. The rural producers, on the basis of their control over production, seek to influence the political system. This is a process of reciprocal influence not one of "politicism" or political determinism, nor "economism" or economic determinism (Staniland, 1985, p. 7). This interactive model of state-civil society/political economy takes account of the fact that politics determines aspects of the economy and in turn economic processes and institutions determine emerging political patterns (Staniland, 1985, p. 7).

Linkages between the State, Society and Agricultural Policy in India

Even a preliminary observation of the state in India makes it apparent that the Indian state has deeply penetrated the Indian economy and society. In 1947, when India gained independence, the state was hegemonic vis a vis the indigenous classes. This was the case in part because of the dominant authoritative nature of the

colonial state¹² and the consequent inability of indigenous classes to emerge as strong contenders in the colonial economic structure. The Indian bourgeoisie had been weakened by the policies of the colonial state which favored the metropolitan bourgeoisie (Sen, 1982, pp. 47-87).

It has been seen how the colonial state, as an agent of the metropolitan bourgeoisie, encouraged the development of a comprador, indigenous bourgeoisie, but when the native bourgeoisie gradually began to acquire power, its further development was thwarted by various fiscal policies. The further weakening of the Indian bourgeoisie stemmed from its failure to exercise its own control over the state in the sense that the colonial (metropolitan) state neither governed nor ruled in its interests. (Sen, 1982, p. 87)

Thus when India became independent, the Indian bourgeoisie was too weak to play a decisive role in the policy process (Sen, 1982, pp. 87-200). The hereditary feudal landlords were also weak vis-a-vis the Indian State. Although strengthened by the land tenure and land revenue policies of the colonial state (see Chapter II), the Indian landlord unlike the feudal landlord in Europe, was weak as a political actor. While the feudal landlord in Europe provided the foundation of the European state, the traditional Indian landlord derived his rights from the patronage powers of the colonial state. Thus, due to the historical enfeeblement of the indigenous bourgeoisie

as well as feudal landlords, the Indian State started off in a strong position at the time of independence.

With regard to the agricultural economy, in particular, the state in India has historically been an important actor. In the first decade of independence, partial state control of the food economy had been accepted in principle and the state had been accepted as the major and principal agent of food distribution. The role of the Indian state as the sole distributor of food, made it necessary for the Indian state to formulate a policy whereby grain could be procured internally to complement the imports of food to meet increased demands. Thus the state was initially involved in the food economy to meet the needs of the urban population. Consumers were protected through the institution of such measures as "statutory control over prices, public distribution of commodities in short supply, restriction on their interstate movements, regulation of bank credit and forward trading and adjustments in exports and import quotes" (GOI, 1980, p. 1).

It was only in the Third Five Year Plan that the state designed agricultural policy to include producers. The Third Five Year Plan emphasized that the producers must get a reasonable return in the form of high prices for foodgrains. It was determined that the distortions produced in the market, by traders and foodgrain dealers,

prevented the market from functioning as a fair and judicious allocator of returns and prices to the producers. Therefore, in order to ensure fair returns to the producers, the state was going to intervene in the market. Market intervention was also used by the state to bolster production, since under the second dominant alliance (this theme is developed in Chapter III), India had emphasized self-reliance in the field of food. Thus the agricultural policy of the Indian state was now to include both the production as well as the distribution aspects of food.

In order to ensure a fair and favorable return to the producers as well as to the consumers, the Indian state created a commission called the Agricultural Prices Commission. This was in direct contrast to the policies in the sixties when the lack of government price supports combined with a number of other technological variables led to a decline in production as well as the withholding of grain from the market by farmers. The dramatic change in government policies in the late sixties and early seventies was the result of the change in the developmental model adopted by the newly formed state elites.

These models, or development ideologies, offered policy makers comprehensive and logical explanation for national underdevelopment. Development ideologies not only explained the cause of the economic

problems suffered by the region or nation. They also proposed specific policy solution to these conditions, thereby providing a concrete guide to the state action to change existing realities. (Grindle, 1986, p. 19)

State elites had definite views about national development, and therefore, once their domination had been assured, created policies to ensure economic growth. Often these development models were accompanied by a concentrated effort on creating state institutions to ensure the survivability of the model. In the late sixties and seventies we see this as the Agricultural Prices Commission, the Food Corporation of India, and the Secretariat were created and manned by people with pro-agricultural views.

State action affecting economic structures, however, inevitably brings about a change in the social structure. The policies of agricultural modernization created a new class of capitalist farmers (in Punjab and Haryana), different in numerous ways from the traditional feudal landlord. The emergence of a new class of capitalist farmers was accompanied by an evolutionary change from "a class-in-itself" to a "class-for-itself" (see Chapter IV), implying an increase in the power of the capitalist farmers.

It is clear therefore, that it is not the state alone that determines the politics of agrarian change in India.

Societal interests that emerge as a result of state policy become equally responsible in the determination of food policy. The agrarian leaders who emerged as a result of independent state action now act within the state to maintain higher prices for wheat and rice and lower prices of inputs for agriculture. Using the market as a political arena, the rich capitalist farmers influence the making of agricultural policy to their own advantage, whether it be in the setting of agricultural prices for foodgrains, wheat and rice in this instance, or in securing better and more agricultural inputs. The rich capitalist farmers are able to ensure such benefits not only because of the political linkages they establish, but also because the agricultural modernization policies of the state were introduced in a rural context that was marked by inequalities. The inherent inequalities and maldistribution of resources determined the relationship of social groups to the market and to the state. Modernization of agriculture favored those with higher quality land, proximity to water resources etc.¹³ Almost inevitably those with higher quality land, closer proximity to water, and the ability to develop the infrastructural nets were the capitalist landlords. Thus state policies exacerbated the existing rural inequalities. There exists enough evidence to support the fact that the "proletarianization" of the peasantry began at a rapid pace and the numbers of

landless laborers increased after the modernization of agriculture. Increased production through the modernization of agriculture and the price incentives did nothing to meet the basic needs of the vulnerable rural population (Chapter VI).

The penetration of the central state by the rich farmers, i.e. the change in leadership, has important implications from the standpoint of pricing and marketing for distributive policy. Stated more bluntly, the growing power of the rich farmers has exaggerated the existence of rural poverty by restructuring the social relations of production, i.e. the relations between the landlord and the agricultural laborer (see Chapters IV, VI). Economic studies have linked increases in hunger and poverty to increases in population. There are reasons to question the validity of such Malthusian analysis, for it ignores the relevance of political power as a crucial factor in the distribution of resources. Linking increases in rural poverty to the decrease in the autonomy of the central state and an increase in the influence of the rich capitalist farmer is essential for a realistic analysis of rural poverty. Such an analysis will show that there is no such thing as an apolitical food problem (Sen, 1982a).

Hypotheses

Based on the foregoing considerations, the following study makes five central arguments. The main argument that

is advanced in the dissertation is that the urban bias of the early decades of development has been replaced by a rural bias. This can be attributed partly to a change in the development ideologies held by state elites and partly to the political influence of the class of rich capitalist farmers, created in the process of agricultural modernization. As a result of this, the state adopted more protectionist policies towards agriculture and is now increasingly dependent on the dominant rural classes. However, state elites are not controlled by these classes. Chapter V shows us that state elites are constrained by their positions and therefore cannot raise the prices of grains dramatically.

Proposition I

Agricultural modernization was mainly the result of changing ideologies of development pursued by the state elites.

As opposed to both the nature-focused view that focuses on biological factors, and the politico-economic view focusing on class (Sen, 1982a), this study begins with the proposition that the development ideologies of state leaders and their policy choices are important in explaining agricultural modernization in India. The commitment of Nehru, the first Prime Minister of India, to urban industrial development under the aegis of the state led to the adoption of policies that favored the

development of the heavy industry oriented public sector. Prime Minister Shastri, on the other hand, was strongly committed to agricultural development. Under his regime we saw that policies favoring agriculture were adopted. Such a commitment was continued under Gandhi and then under the Janata government.

Proposition II

The policy of agricultural modernization--"the Green Revolution," which the state initiated, has led to an alteration in rural social structures. In this process the traditional feudal landlord has been replaced by the rich capitalist farmer.

The "Green Revolution" that was initiated by the Indian State in the late sixties/early seventies was implemented selectively in 5 areas called the Intensive Agricultural District Programs. The areas/districts were selected on the basis of their "better" potential to yield greater results. Better soil condition, proximity to water, and more land were all seen as essential requirements for the successful implementation of the program. The landlord who had been able to regain control of his land and was involved in direct cultivation¹⁴ was the immediate beneficiary of this program and with the success of the "Green Revolution" became involved with producing for the market, using "modern" agricultural techniques and employing wage labor.

Proposition III

The strength of the social groups when combined with the presence of state elites favoring development strategies that benefit that group, determines the type and extent of protectionist policies adopted by the state.

An important factor contributing to increases in food production and increasing self-reliance is the protectionism extended to the agricultural sector, in this case, wheat and rice. While acknowledging the importance of public purpose in state policy, we also recognize that more personal motives animate public choices. The major goal of government is to stay in power. The government's stay in power rests on its ability to appease powerful interests, especially in a democracy where the power of the politicians is constrained by the electorate and powerful interest groups. The powerful role of the capitalist farmer in state organizations must be considered as an important factor that explains the increasing interest of the state in the formulation of protectionist agricultural policies. It also points out that the presence of powerful social groups is insufficient in and of itself to ensure protectionism. It is also necessary that state leaders favoring protectionism be in power. However, it must be pointed out that even though capitalist farmers have penetrated the state apparatus, they are constrained by their position as state leaders. For example, they have not been able to

ignore the inflationary consequences of extremely high prices of foodgrains and have therefore raised these prices only in proportion with wholesale market prices.

Proposition IV

The power of the capitalist farmer has increased following the decline in external dependence on food aid and food imports. It is visible in the greater power of the rural lobby in parliament, in their presence in the Agricultural Prices commission, in their ability to obtain higher prices for wheat or rice, as well as in the alteration of the terms of trade towards agriculture.

The success of the Green Revolution has made India self-sufficient in food production. The states' protectionist policies have definitely promoted self-reliance in the food producing sector. However, this policy also impedes the capacity of the central state to pursue independent policies internally. This self-reliance in the food sector from the world markets has enhanced the power and leverage of the capitalist farmers. It is visible in the increased representation of agriculturalists in parliament, in the Agricultural Prices Commission and in their increasing influence in the setting of prices.

Proposition V

The penetration of the state by the rich farmers holds important implications for the rural poor. It explains (a) the restructuring of social relations of production,

specifically relations between peasants and capitalist farmers and consequentially explains (b) increases in rural landlessness and poverty.

The increase in rural poverty and hunger is a major problem in India. Econometric studies have linked increases in hunger and poverty to increases in population. The answer, however, does not lie in Malthusian analysis, for such analysis ignores the major factor of political power. Linking increases in rural landlessness and poverty to both the decrease in the autonomy of the central state and the influence of the rich capitalist farmer will provide us with more accurate answers.

Methodology

Both primary and secondary sources were used for this study. Intensive interviews were conducted with state administrators and policymakers of the Ministry of Agriculture and Rural Development, Ministry of Agriculture and Civil Supplies, the Agricultural Prices Commission, selected members of several political parties--the Congress Party, the Bharitya Lok Dal, the Communist Party of India and the Communist Party of India (Marxist). Members of farmers organizations--the Farmers Forum, and the Kisan (farmer) cells of important political parties were also interviewed. Also, administrative officials of the regional ministries in Haryana were also interviewed.

A list of individuals interviewed with their designation is given in Appendix 1.

These interviews, with the members of the Agricultural Prices Commission--Dr. G. S. Bhalla and Dr. D. S. Tyagi, Sardar Buta Singh--Minister of Agriculture and Rural Development, Rao Birender Singh--Minister of Food and Civil Supplies, Ch. Charan Singh, Devi Lal--ex Chief Minister of Haryana, Dr. Bholay--Secretary, Farmers Forum and representatives of the Kisan Cells of different parties, were used to analyze the policy process of price setting regarding wheat and rice. Since there is hardly any information available on the mechanics of price setting, these interviews proved to be extremely useful. Also, individuals from the ministries of the Indian government, pertaining to agriculture, were helpful in providing access to government documents as well as data used in the dissertation.

A Summary of Chapter II-VI

Chapter II traces the development of landholding patterns, the relationship of the state to the landlords and the peasants, and the relationship of the colonial state to the food crisis. During colonial rule, the state was the most powerful actor--the feudal landlords derived their power from the colonial state. In this era, the state thus molded the agrarian economy to suit its own

needs. When India gained independence, the state was therefore, the dominant actor. However, the role which was adopted by the independent state changed radically in the late sixties.

After 1947, the state was the most powerful actor in India. State elites under the guidance of Nehru, continued the policy of urban bias, replacing the metropolis focus of the colonial state with the focus on indigenous urban/industrial development. But, in the late sixties, under the guidance of Shastri and later with Indira Gandhi, the state emerged as a powerful sponsor of agricultural modernization. Chapter III examines these changes in state policy, from an urban bias to an agricultural bias.

Chapter IV examines the effects of agricultural modernization--"the Green Revolution." These include increases production of certain crops as well as the adoption of mechanization. It also details the changes in rural structures and the emergence of the capitalist farmers as a "class-for-itself." The resulting restructuring of dependency relationships in the rural areas is also discussed. This chapter details the success of the Green Revolution, but also indicates that the very success of agricultural modernization had important implications for the rural poor.

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The influence of the capitalist farmer on the process of price setting is the topic of Chapter V. This chapter shows that in the process of increasing production through agricultural modernization, and the resulting alteration in rural social structures, a class of rich capitalist farmers emerged. This class has been able to penetrate state institutions, influence the setting of prices, alter the terms of trade for agriculture and continue beneficial resource allocation to agriculture. It also shows that once the capitalist farmers become state elites, they are institutionally constrained. Thus they cannot increase prices without considering the effects the prices will have on the rest of the economy.

Clearly the modernization of agriculture increased the vulnerability of the rural poor. Altering traditional relationships and replacing them with the wage nexus did nothing to alleviate the poor living conditions of the rural poor. Chapter VI illustrates this assertion.

Notes

1. The capitalist farmer produces for the market, employs wage labor, and uses modern agricultural techniques.
2. There are important exceptions such as Samuel Huntington state centered work Political Order in Changing Societies (1968).
3. It should be emphasized that at the end of the lifespan of the SSRC's committee on comparative politics, a greater emphasis on state building and state society relations was visible. See Almond, Flanagan and Mundt (1973) and Tilly (1975).

4. It is essential to point out the considerable controversy over the role of foreign capital. For Amin the role of national capital is dominant in the politics of the periphery (Amin, 1974) whereas for Cardoso and Faletto (1979) domestic social classes are balanced in their ability to influence foreign actors. However, even Cardoso and Faletto note that "the industrial bourgeoisie has been transformed into an agency of foreign capital, playing a functional role similar to that of the agro/commercial elites which it has joined or defeated" (Cardoso and Faletto, 1979, p. 60). For a clear delineation of the various schools of dependency theory see Chilcote (1983).

5. Krupadanam documents that the United States was unable to tone down India's criticism of their action in Vietnam, even though food shipments to India were halted.

The inability of foreign capital to influence policy decisions stems from the fact that the domestic market is so large that India has been producing mainly for the internal market. Also, there are numerous indigenous entrepreneurs who have the financial capability as well as the intent of investing in the external market.

6. Most of the food aid shipments came from the United States the major food donor to India. The food shipments came through the P.L. 480 Program instituted by the government of the United States. (For a detailed analysis of the P.L. 480 program in general see Krupadanam (1982).)

7. This emphasis is in stark contrast to the emphasis of "the societal centered" schools focused on and discussed in the earlier section of the Chapter. The societal centered forms views the state exogenously, i.e. outside the purview of the policy making apparatus.

8. The corporatist school has focused on Latin America and Iberian Europe i.e. Spain, Portugal, India.

9. The realist school, best exemplified by Hans Morgenthau (1954), explains the nature of nation states in the urban arena in terms of national interest. The nation state is seen as monolithic, with no divisions between intra state actors.

10. It is important to note that the agricultural producer is limited in such action by structural constraints. He is limited in his capacity to change the type of crop he cultivates, by the soil composition, availability of technological inputs, by the state resource available for that crop as well as by the economic (market) incentives that are offered to him by the state. Thus farmers are

seen as both being controlled by the market as well as controlling the market.

11. The state has offered price incentives mainly to the producers of rice and wheat. Coarse grains, that are consumed by the poor section of society, have been given very little price or biological incentives.

The Agricultural Price Commission, renamed the Commission for Agricultural Costs and Prices in 1985, recommends support and procurement Prices. Procurement prices announced by the Government of India, on the recommendation of the APC and in consultation with the regional governments, are the prices at which the central government agrees to buy grain from the farmers. Support prices are the prices at which the government agrees to buy all grain of fair average quality (FAQ) if market prices fall below the announced prices. It is a pre-determined fixed price that guarantees the farmer's income.

12. In the agrarian sector, the rural landlord the Zamindar derived his power from the land tenure policy of the colonial state. The Permanent Settlement Act, created property rights for the landlord. As a result, the landlord could alienate the peasants from the land, if they did not fulfill the conditions/requirements he imposed upon them. However, these rights were derived from the state and were dependent on the recognition of these rights by the colonial state. For a more elaborate discussion see Chapter II.

13. The Intensive Agricultural District Program (IADP) focused on "better quality" land. Therefore the farmers who were targeted were those that were better off--the rich capitalist farmers.

14. This was done by the feudal landlord, in areas of Punjab, Haryana and Western Uttar Pradesh after the anti-Zamindari (landlord) legislation had been passed to retain control of their lands (for further elaboration, See Chapter IV).

CHAPTER II

THE ROOTS OF THE AGRARIAN CRISIS: THE COLONIAL STATE AND THE POLITICAL ECONOMY OF EXPLOITATION

The origins of the food crisis that plagued India for decades after independence lies at the heart of the controversy between two major schools of thought, the "imperialist school" and the "nationalist school" (Chandra, 1968, p. 36). The controversy revolves around the significance of colonial rule to economic progress in India. The imperialist school contends that under Pax Britanica, India grew into a prosperous economy with good prospects for development. Ending a long period of anarchy of Mughal rule, India under the British was for the first time in her conflict ridden history an "orderly" state run by an "efficient" and "honest" bureaucratic system. This system fostered growth and development. The introduction of railways, the expansion of areas under cultivation and irrigation not only served the goals of development but also favored agricultural specialization and productivity. (Lord Curzon and numerous other officials of the colonial state quoted in Chandra, 1968; Morris, 1966).

The nationalist school, on the other hand, denies that colonial rule served the twin objectives of economic

growth and development. It claims that the changes that the British administration brought to India advanced the interests of Britain and led to the plundering of India. They contend that British rule in fact became the obstacle to growth (Marx, 1853; R. Palme Dutt, 1949; Dutt, 1960; Chandra, 1968; Raychaudhuri, 1983).

There is no conclusive evidence provided by the historians writing on the colonial period in Indian history to support the claims of either school. We cannot say definitively whether the roots of the crisis were a creation of the colonial British rule or not. The key issue discussed in this chapter, on the basis of the ongoing debate between the two major schools of thought, concerns the origins of the food crisis. Was it the Mughal Empire (preceding the British Empire) that created the conditions for the food crisis or was it the colonial state that was responsible for the emergence of the overwhelming food crisis that faced India after independence?

Until the sixties the largely unchallenged view of the nineteenth century developments in agriculture is best exemplified by the work of Romesh C. Dutt,¹ a representative of the nationalist school. The central theme of Dutt's view, elaborated over the past six decades by students of the pre-colonial society, is that of an essentially static, self contained, non monetized economy,

consisting of relatively equal landowners with no property rights in land, that was dislocated by the introduction of alien market forces represented by the industrial and commercial interests of the West. The consequences of this western intervention provides Dutt with the evidence needed for elaborating the theme of market dislocations by the western powers. In short,

agriculture was enfeebled by inappropriate tenurial and revenue policies. Modern industrial development was inhibited by an official laissez faire policy and adverse governmental interventions. Handicrafts were destroyed by European competition. Lacking alternative employment opportunities in the constricted modern commercial-industrial sectors, displaced handicraft labor, indebted owner-occupier peasants and the labor force generated by the expanding population were forced onto the land. Agriculture was therefore burdened with an ever increasing supply of only partially employable landless labor. (Morris, 1966, p. 187)

The common theme that emerges from the "nationalist" school of Indian economic history, also called the classical school,² is that in the nineteenth century under the British rule portions of the Indian agricultural economy became incorporated into the world economy. This intermeshing with the world economy typically forced the peasant into a commercial relationship created by the imposition of the British revenue system, which led to the exploitation of peasants by landlords, moneylenders, and merchants, as well as the colonial state.

The nationalist interpretation of the agrarian crisis has been questioned by the imperialist school. One of the still unfounded propositions of the nationalist school is that the position of the peasantry was worsened by the "commercialization" of agriculture under colonial agricultural policy. Morris D. Morris (1963, 1966) of the imperialist school, questions the data sources of the nationalist school. Scholars of the nationalist tradition often quote official "blue books" (official sources) on the growing indebtedness and land transfers and these sources are taken as unquestionable evidence for the growing impoverishment of the peasantry. However, a close examination reveals these figures are obtained mostly from the periods of famine in India and may therefore be questionable as evidence representative of the entire epoch (Morris, 1966, p. 191).

A case in point for rejecting or at least questioning the use of the blue books as evidence is made by Kumar (1965). In her work on the Madras Presidency she shows the dangers of relying on official references.

It does not strengthen our confidence in this view to recall that there was no All-India Census until 1871, that there was no Madras Census in 1842, that Sir Thomas Munro was never Census Commissioner, and that in 1846 he was dead. (Quoted in Morris, 1966, p. 197)

While accepting the dubious nature of the data used by some of the authors of the nationalist school, it is

not necessary for us to reject the interpretation of the nationalist school in toto. A re-evaluation however, of the impact of colonial rule on the agrarian economy of India, and a renewed effort to question the thesis of both the nationalist school as well as the imperialist school are in order. The major issue that the re-evaluation will address is not whether the agricultural situation in nineteenth century India was grim. Grim indeed it was. The point is to determine whether the agricultural deterioration that led to the food crisis was merely the continuation of the conditions inherited by the colonial administration or a by-product of British policy in India. The answer, as we shall see, is anything but clear. The agricultural crisis is rooted in part in the colonial state, in part in the conditions inherited by the that state.

The Agricultural Economy in Mughal India

In order to understand the agrarian economy of pre-British Mughal India, we need to analyze the problem of the agrarian sector from three dimensions:

- a.) the role of the Mughal State in structuring agricultural production. On another level we must look at the role of the state in the production of food and other resources as well as the commodity structure of agricultural production and trade.
- b.) the position of the Zamindars (landlords) who were the revenue collectors of the Mughal state.

c.) the rights of the peasants and other agrarian classes vis a vis the state and the intermediary classes.

The Roles and the Rights of the Mughal State

The roles and rights of the Mughal Empire, especially the agricultural activities of the Mughal state, have been the focus of several studies (Habib, 1963; Moreland, n.d.; Raychaudhuri, 1983). Whatever the differences between the researchers on the comparison of the Mughal state with the British state, there exists a broad consensus on the characterization of the Mughal State. The Mughal state was created as a consequence of and an instrument for "acts of conquest" (Raychaudhuri, 1983). Undoubtedly, the urge to conquer stemmed from the insatiable quest of a small group of rulers for material resources. Like most states that are based on the need to conquer and consume, the power of the Mughal state was reinforced by the vast machinery of coercion--the armed forces. The needs of the state army were supplied by the resources extracted from the economy.

In a large agrarian economy, the resources needed to sustain the large army of coercion were extracted primarily from the agrarian sector in the form of land revenue. The land revenue was in most cases assessed as a fixed share of the produce; however, assessment varied over time and regions. As understood by the British administrators, the land revenue represented the property of ten elevenths of the net rental of the country (Habib,

1982b).³ The tax levied by the Mughal state played as important a role in the Indian economy as rent in any feudal system. A careful comparison of the two, however, shows that the tax levied by the Mughal state was not a rent or even land tax in the true sense of the term. It was also different from the subsequent 'land revenue' of the British. The difference is described by Irfan Habib, a leading historian on Mughal India:

. . . (the land revenue of the British) was conceived of as a standard burden fixed in cash on a particular area of land, irrespective of what grew on that land.
(Habib, 1982b, p. 235)

The land tax levied by the Mughal state was different from that levied by the British state because the Mughal tax was not a land tax but a tax levied on the produce whereas the tax levied by the British was a tax levied on the land irrespective of the produce (see note 3).

The Mughal State and Property Rights

In Mughal India the state was the supreme owner of the land. The supreme ownership of the land, which also implied the supreme ownership of the means of production, determined that the state became the natural claimant to the surplus value created by the agricultural labor in the form of land revenue. In short, the state's claims to the ownership of the means of production as well as ownership of the surplus value determined the nature of social

formations in Mughal India. The state was then the determining factor in the political, economic and social arena in Mughal India (Sen, 1982, p. 17). The Zamindars and the Jagirdars (for our purposes the same as the Zamindars) were created by the state to merely ensure revenue collection and had no rights in land other than those granted by the state.

The product-based land revenue policy of the Mughal state is traceable to a basic historical fact: neither the peasants nor the Zamindars had property rights in the land they cultivated or managed (Habib, 1963, p. 241; Moreland, n.d.; Sen, 1982, pp. 19-37). In Mughal India, unlike feudal Europe, land did not belong to any one landlord. The rights to the land were strictly limited to the Mughal State. The Mughal Emperor merely gave the rights over the land (Zamin) to the collector of revenue--the Zamindar. However, it was not a permanent right and could be revoked at any time. According to Irfan Habib,

the sole claimant to the land revenue and other taxes was theoretically the Emperor; but in fact, through a system of temporary alienations of the claim in specific areas (Jagirs), members of the ruling class, shared the income from the revenue among themselves. The ruling class consisted of persons who held mansabs or ranks granted by the Emperor. . . . The mansab was not inheritable. . . . The dependence of the individual mansab holder on the Emperor's will was thus considerable. . . . The control of the Emperor was further strengthened by imparting to the rank a temporary character. . . . A Jagirdar had

therefore no permanent rights in his assignments. (Habib, 1982b, p. 241)

The Mughal State and the Zamindars

The Zamindars were essentially the keepers of the land. They were the revenue collectors of the Mughal state. In the existing literature on Mughal India there is considerable controversy about the institution of the Zamindar. The controversy can be broadly discussed on two levels. The first concerns the definition of the term Zamindar. There was great concern whether the Mughal usage of the term referred to the same individual as the latter day usage of the term. Secondly the controversy centers around whether the Zamindar as understood currently was wholly a creation of the British Empire.

The Zamindar meant a vassal chief who could not exist in the territories administered directly by the bureaucrats of the Mughal Empire (Habib, 1963, p. 136; Moreland, n.d., pp. 122, 179).⁴ The Zamindar collected the revenue of the state and also retained a part of the revenue for himself. However Habib reminds us that the share of the revenue was normally "fixed" by the state and the Zamindar could not change it at will (Habib, 1963, p. 153). The Zamindar in the Mughal period did not have any property rights on the land. As discussed earlier, the rights to the land belonged to the Mughal state and not to the Zamindar.⁵

It is important to note the lack of property rights in land because it helps us understand the mode of production of the Mughal Empire. It differed from that of feudal Europe (Sen, 1982, p. 22), for that in the latter case production was based on ownership rights to land vested in the hands of the landlords, which enabled them to evict peasants from their land.⁶ The Zamindar under the Mughal Empire was not able to do so since the power of the Zamindar did not extend to property relationships. This limitation of property rights restricted the rights of the Zamindar to evict the peasants from the land. By restricting the rights of the Zamindar, the Mughal state limited the exploitation of the peasantry. This is not to imply that the relationship between the peasant and the Zamindar was not exploitative. It was an exploitative relationship with the Zamindar extracting surplus from the peasantry. Nor was the relationship between the state and the peasantry a less exploitative one. In fact the state was the ultimate exploiter, as well as the institution that monopolized the rent setting (markets in rent). It was in a sense the "super landlord."

The Peasant and the Mughal State

The peasants under the Mughal state were not only poor but their livelihood was subject to great uncertainty as a result of the monsoons. The common people who were largely the peasantry lived in tremendous poverty (Habib,

1963, p. 91). The peasant was the life and force of Indian agriculture. Agriculture was the main occupation and source of income of the peasants living in the villages.

The peasants under the Mughal rule were in penurious conditions. The extortion from the peasantry occurred at two levels--the state level and the level of the Zamindar. The process of two level extraction left the peasantry at barely a level of subsistence. Under the Mughals, then, squalor and poverty were the normal lot of the peasants. Localized famines only worsened the conditions of existence. Thus for the large part of the population a subsistence level of existence was the common factor of everyday survival created mainly by the intervention of the politics into their social and economic life. It is then clear that colonial rule did not create the poverty of India. However, the juxtaposition of several factors under colonial rule exacerbated the situation of the peasantry in India.

Productivity and the Mughal State

The imperialist school assumes a strong correlation between political stability and economic growth and development. On the evidence of political stability the imperialist school deduces that economic growth and development must have occurred in British India. Firstly, the assumption is inherently faulty. There is no established historical precedent to prove that economic

development must follow peace. History is replete with examples of war following peace. Secondly, for British India there is no evidence that shows a steady growth in economic activity.

Morris, who attaches such importance to stability has ignored the fact that between 1575 and 1689 (the Mughal era), the greater part of the Vindhya region (center of India) enjoyed a high level of peace and security. For agricultural productivity "Pax Mughalica" had discernible positive consequences. The urban development generated by the Mughal Empire and the successful attempt to collect revenue in cash, generated a network of trade, especially trade in grains, which drew in even the remotest villages. The growth of the market and the state policy of encouraging the cultivator of the high revenue yielding crops (Sen, 1982) led to the cultivation of crops for the domestic market. Furthermore, that the vast machinery of the imperial army and the government depended financially on land revenue and that the numerous urban centers could be sustained by contemporary agriculture suggests a fairly high level of productivity.

Evaluation

One of the major interpretations advanced by the nationalist school is that the agrarian sector in Mughal India was untouched by the forces of the market and that it was the British and the introduction of the market that

led to the crisis of agriculture in India. The argument both overestimates the force of British colonialism as well as misrepresents the nature of the agrarian economy in Mughal India. The agrarian economy of Mughal India was not untouched by the forces of the market and the image of the peasantry living "in harmony" in a "democratic village community", is far from the truth (Habib, 1982a, p. 248).

Irfan Habib in his monumental work The Agrarian System of Mughal India (1963) has clearly shown us that the market economy had already pervaded Mughal India. He clearly states that a large part of the peasant produce was ultimately put on the market and that in Mughal India there was some amount of rural commerce (Habib, 1963, p. 77). In most provinces in Mughal India the peasant was as a rule obliged to pay the revenue in cash. The market thus became a major source of revenue for the peasant. In cases where the peasant was not able to reach the open market, he sold it to the intermediary. Oftentimes these were "distress" sales.⁷ The market did then exist before the advent of the British. The proposition that I advance (which may help clear up the confusion arising out of conceptual unclarity) is that it was not so much the creation of the market but the incorporation of India into the international division of labor that created the crisis in agriculture. It is also my contention that the

colonial rule exacerbated the poverty by altering the land population ratio.

The Colonial State and Agriculture

This section surveys the role of the colonial state in incorporating India into the international division of labor by changing the tenurial patterns, by the destruction of the handicraft industries, by the transformation of Indian agriculture into being merely the provider of raw materials for the colonial state, and the creation of a situation through the factors mentioned above that laid the roots of the food crisis in India.

The Colonial State and the International Division of Labor

The incorporation of India into the international division of labor is seen by the "nationalist school" as the major cause of underdevelopment. For our purpose it is not essential to discuss the merits of the development or underdevelopment debate. However it is essential to analyze the impact of the incorporation of the agrarian sector of India into the world capitalist economy. One of the issues that has been the subject of great controversy is that of the distortions found in the rural economy, particularly the subsistence economy, caused by the commercialization of agriculture and the introduction of cash crops into the rural economy. We argue that although

this generality is applicable to many colonial economies, it is applicable only in a modified form for India.

As pointed out elsewhere in the chapter, commercialization in India existed before the advent of the British Raj. In Mughal India the largely successful attempt to generate revenue in cash encouraged the growth of internal trade as well as the growing of markets in India. The state policy of encouraging the growth of high revenue yielding crops led to the increased planting of cotton, gur (jaggery), oil, seeds, jute, groundnut, spices and tobacco. The distinction between the growth of the markets under the Mughals and the growth of the markets under the British was that while trade did occur under the Mughals, it was only under the British that India was incorporated into the international division of labor, and the world market economy of the post mercantilist period. It is important to note that trade under the British was almost a monopoly of the British East India Company despite Britain's avowed adherence to the principles of free trade.⁸ As E.J. Hobsbawm points out the British ignored their free trade theories when it came to India:

. . . the one exception was India. Its abnormality leaps to the eye. It was, for one thing, the only part of the British Empire to which laissez faire never applied. Its most enthusiastic champions in Britain became bureaucratic planners when they went there . . . India was an increasingly vital market for the staple export of cotton goods; and it became so because in the first quarter of the

nineteenth century British policy destroyed the local textile industry as a competitor with Lancashire. (Hobsbawm, 1969, p. 148)

With the industrialization of Britain and the establishment of the empire, India was gradually transformed into a supplier of raw materials. A case in point being that India, the major exporter of cotton goods under the Mughals, was transformed under the British into an importer of cotton goods.

It has been suggested by the "imperialist school" that "while British cloth was competitive with British handloom production, machine made yarn seems to have strengthened the competitive position of the indigenous handloom sector" (Morris, 1963, p. 612). Bipin Chandra of the "nationalist school" forcefully points out that the ratio of the imports of yarn to the imports of woven goods was in fact very low (see Table II-1). Moreover, he also shows that the export price of woven goods (cotton) was falling much more rapidly than yarn. Because of this fall in prices, more cloth was imported into India than yarn. As a corollary, the price of woven goods in India was much higher than the price of cotton goods imported into India. Also, imported British cloth with hardly any tariff duties was competing with Indian handloom made expensive because of indirect taxation on goods. It is thus inconceivable that the "competitive position of the indigenous handloom sector" was strengthened. In reality it was destroyed.

After 1813, India's trade entered the modern era of post mercantilist trade (Chaudhuri, 1983, p. 807). The importance of this period stems from the fact that during this period certain structural changes took place in the commodity composition of Indian trade.

. . . India was gradually transformed from being an exporter of manufactured goods-- largely textiles--into a supplier of primary commodities, importing finished consumer goods and certain intermediate goods as well. (Chaudhuri, 1983, p. 807)

This structural change was largely a result of the attempts of the rising industrial bourgeoisie in Britain to make India a market for British industrial production. Prohibitive tariffs were slapped on the import of Indian manufactured goods, particularly textiles. Yet, the British East India Company continued to export Indian goods to Europe. This had to be stopped if British goods were to find markets. At the same time, however, the East India Company was also trying to maintain its stronghold in India. To accomplish this the Directors of the company drafted a letter to the Governor General of India, asking the Raj to encourage the cultivation of raw silk in India. In 1783, the Select Committee of the House of Commons on administration and Justice in India commented:

. . . This letter contains a perfect plan of policy, both of compulsion and encouragement, which must in a considerable degree operate destructively to the manufacturers of Bengal. Its effect must to change the whole face of

TABLE II-1

IMPORTS INTO INDIA--PERCENTAGE SHARE OF
SELECTED ITEMS IN TOTAL VALUE

YEAR	COTTON TWIST AND YARN (%)	COTTON PIECEGOODS
1850-1	9.0	31.5
1860-1	7.4	39.6
1870-1	10.1	47.0
1880-1	7.4	45.5
1890-1	5.2	37.9
1900-1	3.1	33.8
1910-11	2.3	31.2
1920-1	4.0	26.4
1930-1	1.9	13.5
1933-4	2.2	13.1

Source: Chaudhuri, 1983, p. 858.

the industrial country, in order to render it a field of the producer of raw materials subservient to the manufactures of Great Britain. (Quoted in Sen, 1982, p. 56)

Despite the fact that the company worked in compliance with the instruction of the British Parliament, the British industrialists considered the monopoly of Indian trade by the East India Company a major obstacle in the path to British industrial development:

. . . As a result of the actions of the industrial bourgeoisie and their parliamentary representatives, British industrial goods were forced into India through the agency of the Company's Governor General and its commercial residents, while Indian manufacturers were kept out of India by prohibitive duties. (Sen, 1982, p. 57)

The issue of the Company became crucial when Napoleon Bonaparte banned the import of British manufactured goods into Europe. The British industrialists were no longer satisfied by the selling of their goods through the kind offices of the Company, and pressured the British Parliament to abolish the monopoly of the East India Company. The British Parliament then passed the Charter Act of 1813 which prohibited the monopoly of the Company in India. British manufactured goods were then sold on the Indian market. Marx describes the post 1813 situation in India thus:

. . . England began with driving Indian cottons from the European market; it then introduced twist into Hindostan (India) and in

the end inundated the very mother country of cotton with cottons. From 1813 to 1836 the export of twist from Great Britain to India rose in the proportion of 1 to 5,200. In 1824 the export of British muslin to India hardly amounted to 1,000,000 yards while in 1837 it surpassed 64,000,000 yards. . . . (Marx, 1853, p. 656)

Thus it is clear that by the middle of the nineteenth century external forces had destroyed the traditional manufacturing industry in India. This assertion is substantiated by the empirical data in Tables II-2 and II-3. Data in these tables show that by the second quarter of the nineteenth century some major shifts had occurred in the commodity composition of trade. Tables II-2 and II-3 show that by the first three decades of the nineteenth century the Indian handloom textiles were all but eliminated from the international market. In 1811-1812 the percentage share of piecegoods (manufactured cotton goods) was 33.0 percent. By 1850-1 it had declined to a mere 3.7 percent and as shown in Table II-3 the percentage of manufactured cotton goods had declined to 1.3 percent. The export of raw cotton on the other hand rose from a low of 4.9 percent in 1811-1812 to 19.1 in 1850-1851 and, as shown in Table II-3, to a record 35.2 in 1870-1 and finally to a stable 21.0 in the thirties. Also encouraged by the British were growth and export of tea, which rose from 0.2 percent in 1850-1 to 12.3 percent in 1935-36. The export of foodgrains became a major item on the trade

agenda, rising from 4.1 percent in 1850-1 to 19.5 percent in 1890-91 and 13.5 in 1930-31. It is interesting to note that in the nineteenth as well as in the twentieth century famines had ravaged the Indian subcontinent leaving a largely undernourished population with meager food supplies. Meanwhile the British continued to export foodgrains from the Indian subcontinent. R.C. Dutt gives us an interesting account of this trade of grains:

. . . The trade of India is not natural but forced; the export of foodgrains is made under compulsion to meet an excessive land revenue demand. The year 1897-98 was a year of widespread famine in India and millions of people died of starvation. Nevertheless, the land revenue was collected to the amount of 17 millions sterlings; and cultivators paid it largely by selling their foodgrains, which were exported to the amount of 10 million sterlings in that calamitous year. (Dutt, 1960, p. 145)

The change in the commodity structure of trade meant that India was now left with mostly primary commodities which were exchanged for manufactured goods that were produced in the west. In analyzing trade in the colonial economy, the neo-classical school of economics emphasized the comparative advantage of trade to the country's economy. Granted that trade does provide the country with the prerequisite tools for economic development, in neo-classical terms it is only in perfect competition that trade can be used for development. In the case of colonial countries, India, like many others was economically

TABLE III-2

INDIAN EXPORTS: COMMODITY COMPOSITION, PERCENTAGE SHARE OF
SELECTED ITEMS IN TOTAL VALUE 1811-12 TO 1850-1

YEAR	INDIGO	PIECEGOODS	RAW SILK	RAW COTTON	SUGAR	OPIUM	TOTAL
1811-12	18.5	33.0	8.3	4.9	1.5	23.8	90.0
1814-15	20.0	14.3	13.3	8.0	3.0	NA	58.6
1828-29	27.0	11.0	10.0	15.0	4.0	17.0	84.0
1834-35	15.0	7.0	8.0	21.0	2.0	25.0	78.0
1839-40	26.0	5.0	7.0	20.0	7.0	10.0	75.0
1850-51	10.9	3.7	3.8	19.1	10.0	30.1	77.6

Source: Chaudhuri, 1983, p. 842.

TABLE III-3

INDIAN EXPORTS: COMMODITY COMPOSITION, PERCENTAGE SHARE OF SELECTED ITEMS IN TOTAL EXPORT VALUE, 1850-1 TO 1835-6

YEAR	COTTON (RAW)	COTTON GOODS	INDIGO	FOOD- GRAIN	RAW JUTE	MANUFACTURED JUTE GOODS	TEA
1850-1	19.1	3.7	10.9	4.1	1.1	0.9	0.2
1860-1	22.3	2.4	5.7	10.2	1.2	1.1	0.5
1870-1	35.2	2.5	5.8	8.1	4.7	0.6	2.1
1880-1	17.8	4.2	4.8	17.1	5.2	1.5	4.2
1890-1	16.5	9.5	3.1	19.5	7.6	2.5	5.5
1900-1	9.4	6.4	2.0	13.1	10.1	7.3	9.0
1910-11	17.2	6.0	0.2	18.4	7.4	8.1	5.9
1920-1	17.4	7.6	-	10.7	6.8	22.1	5.1
1930-1	21.0	1.6	-	13.5	5.8	14.5	10.7
1935-6	21.0	1.3	-	-	8.5	14.5	12.3

Source: Chaudhuri, 1983, p. 844.

underdeveloped and was also the exporter of primary commodities. This does not necessarily establish a causality between economic underdevelopment and the export of primary commodities for there are many countries exporting primary commodities while being economically developed. Yet a common ground did exist between those that were underdeveloped. They were all under the domination of foreign industrial powers. It is not an exaggeration to say that their economic underdevelopment was linked to their subordinate political status which organized trade on the basis of 'unequal exchange'. Also, as Gunnar Myrdal points out, rapid price changes and the instability of demands in primary commodities contributed to the economic crisis (Myrdal, 1956).

In order to sum up the data on foreign trade, we find from table II-4 and Table II-5 that from 1874-79 to 1940, exports were always in excess of imports. Applying current theory of trade to this data, it may seem that India had a rather favorable balance of trade. The situation was however much more complex. This favorable balance of trade did not represent the growing prosperity of India. In a colonized country the economic benefits of excess exports does not necessarily increase the well being of the indigenous population, rather the excess goes to serve the imperial cause. Such was the case in India. Sen describes the feudalization of India:

. . . over 80 percent of India's exports consisted of raw materials and foodstuff. The unpaid excess exports thus led to the growing impoverishment of the peasants, and to the primitive capital accumulation which, however, did not make possible the introduction of the capitalist mode of production. (Sen, 1982, p. 62)

In order to support such a change in the commodity structure of trade, the commodity structure of crop production underwent a major change. Tenurial and revenue policies were changed and implemented to support the demands of the international division of labor and to convert India into a supplier of raw materials. Anupam Sen in an acute analysis of this process points out:

. . . The process of changing India into a market and a supplier of primary products which could be exported to other countries necessitated the restructuring of land relations on a commercial basis. The new land system superseded the traditional rights of the village community. Under the village community system, land was not a commodity and it could not be alienated without the approval of the village community. But under the new system land was transformed into a commodity which could be disposed of in the market like any other. (Sen, 1982, p. 64)

In order to understand this transformation that Sen describes so succinctly, we need to examine the impact of the incorporation of India into the international division of labor on the revenue and tenurial policies that governed the ordering of collective life in the village.

TABLE II-4
INDIA'S FOREIGN TRADE, 1874-1899
(IN MILLIONS OF RUPEES)

QUINQUENNIAL AVERAGE	EXPORTS	IMPORTS	EXCESS EXPORTS
1874-79	630	380	250
1879-84	790	590	200
1884-89	880	610	270
1889-94	1040	710	330
1894-99	1070	740	330

Source: M.N. Roy, *The Future of Indian Politics*, London: R. Bishop, n.d., p. 14.

TABLE II-5
INDIA'S FOREIGN TRADE, 1916-1940
(IN MILLIONS OF RUPEES)

YEAR	EXPORTS	IMPORTS	EXCESS EXPORTS
1916	2,473.8	1,602.5	871.3
1920	2,677.7	3,475.8	798.5
1925	3,868.1	2,360.0	1,508.1
1930	2,265.0	1,730.6	534.3
1935	1,645.9	1,368.2	277.7
1940	1,986.9	1,569.7	417.3

Source: Chaudhuri, 1983, p. 839.

Tenurial Policies of the Colonial State

Undoubtedly the situation that was inherited by the colonial state was a complex one. Whereas the food production in Mughal India was keeping pace with the population, large state revenues as well as the revenues appropriated by the Zamindars left the peasants with merely enough for subsistence. The tenurial policies and the revenue policies of the colonial state worsened the situation of the peasants. Two of the tenurial policies responsible were the Permanent Settlement and the Ryotwari Act.⁹ The Permanent Settlement Act was applied mainly to Bengal, and parts of Bihar, Orrisa and Madras. It provided proprietary rights to the cultivators and created a new class of landowners with property rights. This new class of landowners was distinct from the Mughal landlord, for unlike the Mughal landlord these individuals had property rights over land and could alienate peasants from the land. However, despite claims by Marxists that this new class was a feudal class they were certainly distinct from the European feudal class as well. They were distinct from the European class in that they did not have an independent power base and like their Mughal counterparts were dependent on the state for their power base as well as responsible to the state for revenue. Marx has summed up the situation in colonial India rather appropriately:

. . . a curious sort of English landlord was the Zamindar, receiving only one-tenth of the rent, while he had to give over nine-tenths of it to the government. (Marx, 1853)

Another tenurial change that was introduced was the Ryotwari Act. This system applied to the areas of Southern Madras, Bombay, Berar, East Punjab and in some areas of Assam and Coorg. Under the Ryotwari system the cultivator of the land became the proprietor of the land, and was directly responsible to the state for taxes. However this ownership right extended to the cultivator only so long as he paid the taxes. Under the Ryotwari System, the assessment of taxes was for a period of only 20-30 days, after which it was periodically revised. This periodic revision was harmful to the peasant, for the uncertainty of tax extraction prevented him from preparing in time the returns to the state, and often left him to the mercy of the money lender.

The introduction of both the Permanent Settlement and the Ryotwari System introduced the basis of private property into agriculture. Yet the introduction of private property in land did not push India into the capitalist mode of production. However, the capitalist penetration of India through the introduction of the international division of labor, without fundamentally altering the relations of production, did occur and was the result of colonial rule. The new tenurial system served such a

purpose, for while the tenurial arrangements increased the share of commodity extraction from agriculture, the relations of production remained the same. The state still remained the super landlord, yet a very different kind of super landlord (Sen, 1982, p. 65). The distinction between the role of the state in Mughal India and British India is very clear. Whereas in the Mughal India the role of the state was to enrich the indigenous classes, the imperial state enriched the metropole and the comprador classes. The colonial state thus intensified the exploitation. Paul Baran's classic yet controversial work The Political Economy of Growth (1957) on the effects of imperialism appropriately describes the condition of the peasantry in India:

. . . their exploitation (people who came into the orbit of western capitalist expansion) was multiplied; yet its fruits were not to increase their productive wealth; these went abroad or served to support a parasitic bourgeoisie at home. They lived in abysmal misery, yet they had no prospects for a better tomorrow. They existed under capitalism, yet there was no accumulation of capital. (Baran, 1957, p. 144)

The Impact of the Changing Trade and Tenurial Patterns on Social Classes

The previous paragraphs have listed the change in the tenurial and trade patterns that occurred during colonial occupation of India. We will not examine the impact of the changing trade patterns on the social structure in India.

Specifically, we will analyze the impact that the import and export of new commodities had on the sector engaged in that particular trade. As discussed earlier, the imperialist school and the nationalist school are again in major disagreement on this issue. According to the imperialist school, the changing structure of trade and the import of manufactured cotton goods destroyed the indigenous handloom sector. Analyzing all the data available, I am inclined to agree with the nationalist school. The argument by Morris, representative of the imperialist school, is that "machine made forces" have strengthened the competitive position of the indigenous handloom sector despite the fall in prices. However, we must examine the "competitive position" of the handloom workers with respect to their competitors (British weavers). Yet the British weaver's Productivity was increasing rapidly due to the fact that British policy favored them. As a result of this, we find that there occurred a weakening of the position of the indigenous handloom weaver. It is clear what the impact of the changes in trades was on the older trading centers of Indian industry. As reported by Montgomery Martin to the Select Committee of the British parliament:

The decay and destruction of Surat, of Dacca, of Murshidabad and of other places where native manufactures have been carried on, is too painful a fact to dwell upon. I do not consider that it has been in the fair course

of trade; I think that it has been the power of the stronger exercised over the weaker.
(Quoted in Sen, 1982, p. 61)

Reporting on the same phenomenon, Marx, who wrote extensively on both the process of industrialization as well as on the impact of British imperialism in India, commented:

English cotton machinery produced an acute effect on India. The Governor General reported in 1834-35: The misery hardly finds a parallel in the history of commerce. The bones of the cotton weaver are bleaching the plains of India. (Marx, 1867, p. 471)

Bipin Chandra, a prominent historian of the nationalist school on British India, comments that existing evidence does point to the fact that because of the changing commodity composition of trade under British rule in India, there had occurred increasing ruin of the Indian handicrafts which played an important role in the economy. He claims that:

. . . a major blow was given to spinning as an economic activity. This had an important effect on the domestic economy of the peasant with many sided consequences, including the further strengthening of the merchant-money lenders hold over the peasant and the artisan.
(Chandra, 1968, p. 59)

A result of the change in the composition of trade from the rural areas and the displacement of the rural weavers was on the land by an increasing number of people

who relied on the land for a living. Bipin Chandra explains these pressures on the land in very eloquent terms, explaining that even a slight variance in the resources available to the artisans could make all the difference to them:

The rural artisans were gradually affected, even a slight fall in the real income can have drastic effects on a subsistence worker. This forced an increasing number to leave their crafts, especially as more land was being brought under cultivation, and the breakdown of the traditional division of labor enabled them to bid for the land as tenants-at-will and sharecroppers. Many could become agricultural workers. (Chandra, 1968, p. 59)

In another recent study Dr. Tapan Raychaudhuri has also elaborated upon the effects that the destruction of the handicrafts industry had on the land. Table II-6 clearly shows the decline in the area of the cultivated land per capita in British India. From 109 in 1891, the per capita land availability declined to 84 in 1951. This clearly shows a higher pressure on land as well as an increase in the population that depended on agriculture for their subsistence.

The effects of the new tenurial policies were also very harsh on the peasantry. Tenurial policies, although increasingly beneficial to the colonial powers, were responsible for the increasing impoverishment of the peasantry. Since property rights (discussed earlier as Ryotwari and Zamindari rights) were given to the

cultivators so long as they paid their revenues to the state, we find that two distinct trends emerged in the Indian subcontinent. The first trend that emerged as a result of these policies was the reliance of the cultivator on the growth of cash crops to pay the increased revenue. This process of "forcing" the peasants to grow what the monopolists offered to buy increased the indebtedness of the cultivators. This process of the "commercialization" of agriculture is best described by D.R. Gadgill:

The commercialization of agriculture had progressed most in those tracts where the crops were largely grown for export out of the country. This was so in the Burma rice area, the Punjab wheat area, the jute area of Eastern Bengal and the Khandesh, Gujarat and Berar cotton tracts.

These circumstances (sic) were the payment of the government assessment and the interests of the moneylenders. To pay these two dues, the cultivators had to rush into the market just after the harvest, and to sell a large part of the produce at whatever price they fetched.
(Gadgill, 1971, p. 161-162)

This commercialization of Indian agriculture (which I prefer to call the incorporation of Indian agriculture into the international division of labor) and its dependence on capital was taking place under conditions generally unfavorable to the producer. The benefits siphoned off the agricultural sector either went to the metropolis or to classes that were not engaged in agriculture. This transition, from a system based on

TABLE II-6

AREA OF PER CAPITA CULTIVATED LAND IN BRITISH INDIA

CENSUS YEAR	AREA OF CULTIVATED LAND/CAPITA
1891	109
1901	103
1911	109
1921	111
1931	104
1941	94
1951	84

Source: Census of India Report, 1951, Part 1A, p. 141.
Also see Bhatia, 1970, p. 13.

communal ties and customs to one based on the intervention of international market forces, was generally unfavorable to the producer. It favored the non-agricultural and the non-producing classes who hardly invested anything in agricultural and the non-producing classes who hardly invested anything in agricultural improvement. The dependence of the agricultural producer on the moneylender grew. And this, coupled with the introduction of proprietary rights in land, led to the dispossession of the peasants.

The Colonial State and Agricultural Input

On the issue of factorial inputs into agriculture there is again disagreement between the two schools. The imperialist school claims that there was an increase in the revenue spent by the colonial state on agriculture. As a result of which the agricultural sector was much improved. However, there is no evidence that a structural change did occur. In fact there exists evidence to the contrary. As pointed out by Bipin Chandra on the basis of an extensive agriculture study on Agricultural Trends in India (Blyn, 1966) between the years of 1891-94, we find that in most areas of agriculture, this technical revolution that the imperialist school talks about did not occur.

Firstly, little or no change occurred in the types of instruments used (Blyn, 1966, p. 203). Secondly on the issue of fertilizer, Blyn shows that between 1989-99 to 1923-24 imported fertilizer amounted to less than 2,000 tons average per year. In fact he adds that "ironically export of fertilizer material, mostly cattle bones and fish soil were larger than imports" (Blyn, 1966, p. 195). Finally on the issue of irrigation, an area in which the British showed increasing interest, we do find that there was an increase in activity of building canals specifically in the areas that were already considered optimum production areas, i.e. the North West Frontier

Provinces (NWFP) of Punjab. Yet when we examine the expenditure on irrigation we find that the sum expended was meager and that actual expenditure in 1901 suffered a decline when compared to that spent in 1875 (see Table II-7).

Conclusion

If we examine the evidence on Mughal India as well as the evidence on British India, we can safely conclude that while the socio-economic position of the average Indian (the peasant) was not favorable under the Mughals their position actually deteriorated under the colonial state. Also, the agricultural situation, particularly that of the subsistence sector, deteriorated under the colonial state.

A series of interrelated factors, like the incorporation of India into the international market as a peripheral partner under the conditions of unequal exchange, the introduction of structural changes in the tenurial patterns in agriculture as well as a greater pressure on land, depressed any upward trend in agriculture production. Table II-8 shows that output between the years 1893/94-1895/96 to 1936/37-1945/46 (units per capita) declined from 100 (base year) to 80. However, if we examine Table II-9 we find there was a sharp increase in commercial crops, clearly substantiating the argument that because of the introduction of the

TABLE II-7

GOVERNMENTAL EXPENDITURE ON IRRIGATION, RAILWAYS
AND EDUCATION IN INDIA (IN CRORES OF RUPEES)

YEAR	EXPENDITURE		
	IRRIGATION	RAILWAYS	EDUCATION
1875	1.1	3.2	.8
1880	.6	3.0	.8
1885	.5	4.7	1.0
1890	.4	2.8	1.2
1891	.7	2.7	1.2
1892	.5	3.4	1.2
1893	.6	2.9	1.2
1894	.5	3.8	1.2
1895	.7	3.3	1.3
1896	.7	4.2	1.3
1897	.6	3.6	1.3
1898	.6	4.2	1.3
1900	.9	5.1	1.3
1901			

Source: Chandra, 1968, pp. 35-66.

international market and the change in tenurial policies to create a climate favorable to the "core" market, a decline in food production and an increase in commercial crops occurred. Finally, if we examine the effect of such a decline on the population, not surprisingly we find that the per capita availability of food to the population declines. In Table II-10, using 1893/94-1895/96 as the base year we find that in the nineteenth century population increased significantly, however the output of food production declined from 100 to 68. In lbs. per capita this amounted to a decline from 587 lbs/capita to 399 lbs/capita in the years 1936/37 to 1945/46.

Thus we find that the impact of the colonial state only worsened the agrarian situation in India and created the condition for the emergence of the food crisis. This does not imply that there are no problems with the nationalist approach. What it does suggest is a strong correlation between political and economic dominance by the colonial state on the one hand, and backward agriculture and the agrarian crisis on the other.

TABLE II-8

ALL INDIA ESTIMATES OF THE AVERAGE ANNUAL PER CAPITA
FOOD OUTPUT AND ALL CROP OUTPUT ACCORDING TO
BLYNN'S STUDY

YEAR	OUTPUT IN INDEX UNITS PER CAPITA	
	FOOD CROPS	ALL CROPS
1893-94---1895-96	100	100
1896/97---1905/06	95	97
1906/07---1915/16	91	97
1916/17---1925/26	90	98
1925/26---1935/36	78	90
1936/37---1945/46	68	80

Source: Daniel Thorner, 1955

TABLE II-9

ALL INDIA ESTIMATES OF FOOD CROP, COMMERCIAL CROP,
AND TOTAL CROP PRODUCTION ACCORDING TO BLYN'S
1951 STUDY

YEAR	INDEX OF AVERAGE ANNUAL CROP OUTPUT		
	FOOD	COMMERCIAL	TOTAL
1893/94---1895/96	100	100	100
1896/97---1905/06	96	105	98
1906/07---1915/16	99	126	104
1916/17---1925/26	98	142	106
1925/26---1935/36	94	171	108
1935/36---1945/46	93	185	110

Source: Thorner, 1955, p. 122.

TABLE II-10

POPULATION AND FOOD SUPPLY IN BRITISH INDIA

YEAR (PERIOD)	POPULATION	OUTPUT IN INDEX UNITS OF FOOD CROPS PER CAPITA	OUTPUT OF FOOD CROPS IN LBS. PER CAPITA
1893/94-1895/96	100	100	100
1896/97-1905/06	101	95	560
1906/07-1915/16	107	91	547
1916/17-1925/26	109	90	538
1926/27-1935/36	120	78	461
1935/36-1945/46	138	68	399

Source: B.M. Bhatia, 1970, p. 13.

Notes

1. R.C. Dutt was one of the few Indians who was a member of the British run Indian Civil Service. On his experiences in the service in colonial India, he wrote his monumental work, Economic History of India (1960), which has since then become the manifesto of the devastation rendered by the British on India.

2. The view presented by R.C. Dutt is "classical", according to Morris (1966) in three meanings of the term:

- a) it is internally logical,
- b) it uses empirical techniques to substantiate its hypothesis,
- c) in the sixties it was widely accepted and also unchallanged.

3. Irfan Habib (1963) and Moreland (n.d.) show us that the rate of assessment of land revenue varied from administrations and regions. For example, as Habib (1983, ch IX) informs us, around the fourteenth century the Kankut (grain estimate) was the method used to estimate land revenue. In this form of assessment, instead of actually dividing the crop, an estimate was made of the yield per unit area at the time of the current harvest through sophisticated sampling techniques. Because of various disadvantages this system was altered by the sixteenth century when a standard schedule was promulgated to be applied to the sown area irrespective of the harvest. The schedule gave the high, medium and low yields for each of the crops, and then, obtaining the average produce, fixed the tax as a third of the average. Under Akbar this system was elaborated upon. To make the rates realistic, information on yields, prices, and the areas cultivated for each locality, was collected for a period of ten years. On the basis of this detailed information revenue rates were fixed directly in cash for each crop. This continued for the last decades of the Empire.

4. It is important to note here that, even though Zamindari was an important institution that aided the state in the process of revenue collection, villages existed where there were no Zamindari rights. In these villages the revenue was directly collected by the administrators of the Mughal Empire.

5. According to Habib (1983) the zamindari did acquire hereditary rights by the time of Akbar.

6. It is important to note this distinction because, when compared to the situation of the landlords in the colonial state, it will provide us with clues about how the landlords contributed to the crisis.

7. They are referred to as distress sales because the peasant, in order to keep himself alive, could not afford to wait for better market conditions and sold his crop to the first merchant that came along.

8. The British East India Company's effort to combine its political role with its commercial one caused great concern amongst the private traders. As a result of the political pressure applied by private traders and the decline of the mercantilist doctrine in England, the company's exclusive monopoly in Indian trade was abolished in 1813. The company was barred from trading altogether by 1833.

9. The Permanent Settlement Act made the Zamindar the holder of all lands from the government. The Zamindar then became responsible for the land revenue of the land that was cultivated by his tenants.

The Ryotwari Act made the cultivator the owner of his lands only so long as the revenue assessed by the state was paid up.

CHAPTER III

THE STATE, DEVELOPMENT IDEOLOGY AND THE EMERGENCE OF THE DOMINANT AGRARIAN ALLIANCE

India's agrarian revolution did not just happen. Its roots lie in the changing political coalitions that have accompanied the first decades of independence. The rise of agrarian interests within the Indian State is a dominant factor in Indian politics and is perhaps the most arresting feature of post-independence coalition politics. The aim of this chapter, in short, is to put this phenomena in proper perspective and in so doing sketch the backdrop to the emergence of a dominant agrarian alliance under Shastri's Prime Ministership, and its strengthening under the leadership of Indira Gandhi.

In analyzing the policy preferences of the post-independence state, we consider the ideological preferences of state elites to be the determining factor in the types of policies adopted by the state. This approach contradicts both pluralist and Marxist approaches to policy analysis in which policy is explained in terms of societal variables. This chapter will show that it was the the Indian State, specifically ideological preferences of

state leaders, that determined the kinds of policies adopted in general and particularly in the food sector.

We proceed from the establishment of the first dominant alliance under the premiership of Jawaharlal Nehru where the bias of industrial development, specifically that of heavy industry, gave the lion's share of public investment to the industrial, public sector. This "urban bias" led to the neglect of the agricultural sector and a dependence on food aid from external agencies and western aid programs. During this period India imported food as well as relied on food aid, and the Nehru regime focused on urban industrial development, with a strong focus on heavy industry in the public sector. However, this form of industrial development could not be sustained without causing rural unrest and political instability. Something in the nature of a legitimization crisis ensued. With the death of Nehru, the first dominant alliance could no longer remain unchallenged.

In this period when the old guard saw the gradual erosion of their control of the state while new societal groups had yet to consolidate their hold over it the state leaders could again become dominant in implementing their vision of development. The core group of state functionaries under the leadership of Shastri, were able to successfully challenge the old vision of progress and implement their new vision with a focus on agriculture.

With the death of Shastri, a new crisis ensued resulting in a renewed struggle between different state functionaries for state power. Once the struggle was resolved, Indira Gandhi continued the agrarian focus of her predecessor and it was under her regime that the agrarian elite gained power. Under the Janata regime, the power of the agrarian elites reached a zenith, with the occupation of the Prime Ministers Chair by Chowdhry Charan Singh, the leader of the agrarian faction in Indian politics. The consolidation of agrarian power occurred under the Janata regime and continued under Indira Gandhi when she returned to power. Under the conditions of a favorable political regime, combined with the Green Revolution, India has become successful in becoming self reliant in the foodgrains sector. Whilst some form of external reliance does continue in the form of loans from the World Bank and the occasional buying of foodgrains from the world market (to provide a buffer from the uncertainties of the world market, bad weather and poor harvests), the major percentage of food needs are met from internal production, as are that of the factorial inputs for agriculture.¹

Nehru and the Victory of the Dominant Urban Alliance

In 1947, when India gained independence, the state was hegemonic vis-a-vis the social classes in India (Sen, 1982, p. 87). The colonial state was the dominant actor in

India. This was the reason why the Indian bourgeoisie, despite their tremendous resources, could not be a match for the British bourgeoisie. The British bourgeoisie was backed by the colonial state whereas the Indian bourgeoisie, in the post comprador stage² was hindered by the state. Thus when India gained independence, the state was the most powerful actor in the political arena. The indigenous bourgeoisie was too weak to play a decisive role in the political arena, as were the agrarian classes.³ The state, therefore became the initiator of policy in independent India.

At the time of independence, both the industrial and agricultural sectors were in a state of disarray. The industrial sector was very weak, unproductive and contributed only 17% to the national income in the fiscal year 1948-49. The agricultural sector contributed 48%. Commerce, communication, and transport contributed only 19.5% (Sen, 1982, p. 89). The percentage of labor employed in the industrial sector was actually declining, an indication of the weakness of the industrial bourgeoisie (see Table III-1).

It is obvious from Table III-1 that the industrial sector was not doing very well. The agricultural sector was the major contributor to the national income as well as the employer of a substantial portion of the labor force. However, as shown in Chapter I, the condition of

TABLE III-1

THE PERCENTAGE DISTRIBUTION OF WORKERS

OCCUPATION	1931	1951
Agriculture and Mining	71.2	73.0
Industry	16.3	13.0
Commerce	6.0	6.1
Transport	1.7	2.0
Public Force and Administrators	1.2	2.6
Professions and Liberal Arts	1.6	1.9
Domestic Service	2.0	1.4

Source: Sen, 1982, p. 89.

the agricultural laborers was very disheartening. food production was on the decline as was the production of non-food crops. Population was increasing at a rapid pace, as a result of which the per capita production of food crops was on the decline. Thus, like the industrial sector, the agricultural sector was not performing very well.

The state was therefore confronted with a very dismal situation regarding the deteriorating economy. At the same time however, the expectations of the people were high. They wanted and were looking for ready answers to the troubled situation. State functionaries therefore had to come up with a quick solution for the troubles that faced the economy. Nehru, the first prime minister of India, was faced with the formidable task of providing the direction

for development. Equating modernization and development with industrialization, he chose the path of industrialization to provide answers to development.

Nehru, Patel and the Politics of Reconciliation

The state functionaries who gathered around Nehru all agreed that the state needed to take the pressure off agriculture so that they could raise the productivity of the land. Industrialization would provide such an opportunity through the creation of more jobs. This would reverse the population flow into agriculture. Also, agriculture would benefit from the technological advances associated with industrialization. The image of progress revolved around the development of industry. The private sector was excluded from the planned development of industry. The Indian bourgeoisie was not strong enough to force the state to involve them in the process of planned development for India. Thus industrialization was to take place under the aegis of the state through what came to be called the public sector.

In the early years of independence, Nehru's vision of state control of the economy was endorsed by the executive body of the National Party but was seriously challenged by the National Congress Government. The National Congress Government wanted to pursue laissez faire economic policies that focused on providing incentives to private investors on the basis of maximizing productive

efficiency. The former faction of the Gandhians,⁴ was led by Nehru while the latter was led by his arch rival Sardar Vallabhai Patel. "Indeed by 1946, the most powerful man inside the congress party was neither Gandhi nor Nehru. That distinction was enjoyed by Sardar Vallabhai Patel, Gandhi's chief lieutenant during the long nationalist struggle in the critical task of building up the local and state party units" (Frankel, 1977, p. 72). Patel, the leader of the liberals against the socialist control of the economy, used his position of power in the congress party to organize support against the socialist control of the economy.

Since 1947, Patel had been reorganizing the party so as to eliminate the "radical Socialist" elements from positions of power within the party. He virtually dictated the membership of the working committee of the party, ridding it of the socialist element. Patel also made sure that the radicals were virtually eradicated from the party by getting the All India Congress Committee (AICC) to approve an amendment to the constitution. According to the amendment, no organized groups could be represented within the party. As a result of this amendment, the socialist element voted to establish a separate Socialist Party. Thus the position of the conservative element led by Patel was consolidated within the party.

As a result of the prominence of Patel within the policy making apparatus, India saw a series of ad hoc measures between 1947 and 1950 that favored private enterprise. State control over interstate trading of foodgrains was removed, leading to a situation in which traders and business showed tremendous increases in profits. The business community was also favored by the Industrial Policy Resolution (I.R.P.) of April 6, 1948. The I.R.P. clearly demarcated the lines between the public and the private sector. The state acquired monopoly rights over the industries of defense, atomic energy, railways, and transports. It also acquired rights over industries related to coal, iron and steel, aircraft manufacture, shipbuilding, manufacture of telephones, telegraph and wireless apparatus, and mineral oil. In these areas the state could ask the help of private enterprise, subjecting such help to governmental regulation. In other areas, the business community was free to invest and was given the assurance that for a period of 10 years, no private industries would be nationalized (Sen, 1982, p. 96). Foreign enterprise was also allowed to continue.

Nehru--The Unchallenged Leader of India

Despite the control over the working committee by the conservative element of the Congress Party, Nehru had succeeded, in his conciliatory manner, in winning the approval of the conservatives and the cabinet for a

national program of planned development.⁵ However, the draft outline of the First Five Year Plan, with its endorsement of broad outlines for socialist transformation of the economy, seriously alarmed the conservative element within the Congress Party. Nehru soon discovered that if he were to emphasize the socialist reconstruction of society, he would have to denounce his conciliatory approach and confront the conservative element. It was the outcome of this confrontational approach that would win Nehru the leadership of the party and establish "Nehru's unquestioned authority as the arbiter of national policy" (Frankel, 1977, p. 84).

The draft outline of the First Five Year Plan, despite its adherence to the guidelines of socialism, was in reality a rather conservative document. The one and only guideline provided for the planners was that of increasing production. Although it was under the aegis of the state that such planned production was to be carried out, the role of the state was limited by a caveat that "a hasty implementation of measures intended to bring about economic equality may, in the short run, affect savings and the level of production adversely" (GOI, Planning Commission, 1950, p. 11). In order to facilitate the goal of increased production, the draft outline did not propose any significant increases in taxation, rejected the proposal to place a ceiling on existing landholdings

(Frankel, 1977, p. 104), almost guaranteed that the "expansion of industrial production during the period of the plan would be largely the responsibility of the private sector" (Frankel, 1977, p. 152) and welcomed foreign investment in the country to eradicate the handicap of capital shortage (Frankel, 1977, p. 159).

Despite these concessions the conservative element within the party continued to feel threatened and followed a strategy to further eliminate the hold of Nehru and the Socialists from the policy making process. Their first area of victory was the election of Purshottam Das Tandon as the president of the All India Congress Committee (AICC).⁶ Tandon was a communalist from the state of Uttar Pradesh. He was also an avowed anti-socialist. His antipathy towards a pronounced role of the state in planned development was no secret. Once elected the president of the AICC, Tandon reasserted the importance of the Working Committee of the AICC in the policy making process (Kochanek, 1968, p. 121-123). He also virtually forced out the Gandhians and the socialists from key positions within the party. This trend seemed to favor the conservative element and the supporters of Patel in the Policy making process. Thus the supporters of Nehru found themselves to be in the periphery of the policy making process. It was the aim of this group to retain the semblance of power that precipitated the famous Nehru-

Tandon confrontation (Weiner, 1957, pp. 65-97; Brecher, 1959, pp. 430-37; Kochanek, 1965, pp. 27-53; Frankel, 1977, pp. 80-91).

The death of Patel on December 15, 1950 precipitated the crisis, for it was only after Patel's death that Nehru took the first steps towards confrontational politics. On September 20, 1950 a group of Congress Party members led by Kriplani had decided to form the Congress Front to reform the party. Nehru had privately endorsed the goals of the Front, but remained silent when Tandon ordered Kriplani to dissolve the Front. After the death of Patel, Nehru decided to intervene and in January he introduced a unity resolution that all the groups supported. Despite the intervention of Nehru, Kriplani could not get approval from Tandon for the slate of candidates to the Central Election Committee. A number of candidates, annoyed at the inaction of Nehru, left the Congress party to form new organizations.

In order to avoid more defections, Nehru promised Kriplani that he would use his influence at the Delhi Session of the AICC to ensure that the Front got represented. Yet at the Delhi session, he found himself powerless against the conservatives. The list of candidates reflected the strength of the conservatives in the Working Committee. Kriplani and his supporters left

the party to form the Kisan, Majdoor, Praja Party (KMPP--the Peasants, Workers and People's Party.)

A second effort by Nehru to change the composition of the Working Committee was also unsuccessful, and by the end of July he was faced with the resignation of the Party stalwarts--Ajit Prasad Jain and Rafi Ahmed Kidwai. These two resignations forced Nehru into action. He announced his resignation from the Working Committee. Then, armed with a vote of confidence from the parliament, he made it publicly known that he was no longer merely interested in changing the composition of the party but was interested in becoming the president of the Congress Party. On September 8, as a result of behind the scene machinations, the AICC accepted the resignation of Tandon and elected Nehru the Congress president by an overwhelming majority. Once Nehru became the unquestioned leader he "set the direction of India's development during the first fifteen years of freedom" (Frankel, 1978, p. 4).

Nehru and the Vision of Progress

The vision of Nehru and other key individuals involved in the policy making process revolved around industrialization. It also involved planned development, i.e. socialism.

I am convinced that the only key to the solution of the world's problem and the problem of India lies in socialism, and when I use this word I do so not in a vague

humanitarian way but in a scientific economic sense. Socialism is, however, something even more than an economic doctrine, it is a philosophy of life and as such it appeals to me. I see no way of ending the poverty, the vast unemployment, the degradation and the subjection of the Indian people than through socialism. (Nehru, 1936)

Once Nehru had the unquestioned authority within the Congress Party⁷ and the parliament, the involvement of the state in the economy of India grew and the state became paramount in the development of India. In 1951, the state took the authority to veto any entrepreneurial proposal from the private sector. The Industries (development and regulation) Act of 1951 was also instituted which required that the entrepreneurs obtain a license from the government before undertaking any significant enterprise or manufacturing any new product (GOI, 1979, pp. 1-5). Another example of the predominance of the state was the Industrial Policy Resolution of 1956 which openly stated that its goal was the establishment of a 'socialist pattern of society'. It categorically declared that all industries of basic and strategic importance as well as public utility industries should be under the realm of the state, and the public sector.

Nehru was not alone in the creation and the implementation of this vision of progress viz., rapid industrialization under the aegis of the state. He held the support of a group of state functionaries that he had

strategically located in areas of power. The following section relies extensively on the information provided by Banerjee (1984) and Frankel (1978). The individuals involved in the process were those directly concerned with the process of planning, development, and the formulation of policies for the industrial sector and the nation in general. They included:

- a) the Prime Minister
- b) The Planning Commission which formulated the Five Year Plans in consultation with the state governments as well as other ministries in the government of India.
- c) The Ministry of Finance which controlled resources as well as controlled foreign capital and the licensing of industries.
- d) The Ministry of Commerce and Industry was also involved in the licensing process as well as in the administration of part of the public sector.
- e) The Ministries of Steel and Heavy Industry, Railways, Petroleum and Chemicals, Irrigation and Power were also involved in directly overseeing projects under their domain (Banerjee, 1984, p. 69).

Nehru's leadership and his position as Prime Minister was crucial to the coordination of the various ministries and in seeing that his vision of progress was implemented. Nehru made sure that his vision of progress was supported by crucial state institutions by establishing strong

linkages between the cabinet and the various institutions. For example, the Planning Commission, being responsible for the Five Year Plans, was controlled by individuals that Nehru had appointed. The Planning Commission served a staff function for the office of the Prime Minister. The Prime Minister was its chairman. Several key officials in the Planning Commission also held senior posts in the central bureaucracy. The Cabinet Secretary was also the Secretary to the Commission. The Chief Economic Advisor to the Ministry of Finance was also the advisor to the Commission. The Statistical advisor to the Cabinet was also a de facto member of the Commission (Frankel, 1978, p. 113) (see Table III-2).

TABLE III-2

LINKAGES BETWEEN THE PLANNING COMMISSION AND THE CABINET

Prime Minister	Chairman
Cabinet Secretary	Secretary
Economic Advisor-- (Ministry of Finance)	Economic Advisor
Statistical Advisor--Cabinet	Member
Finance Minister	Member
Defense Minister	Member
Minister of Planning	Deputy Chairman

Source: Compiled from information in Banerjee (1984) and Frankel (1978).

The Planning Commission, which had no statutory power, thus became one of the most powerful bodies in government. "The demarcation originally envisaged between the advisory functions of the Planning Commission and the decision making responsibilities of the central government grew blurred" (Frankel, 1978, p. 113). Also, the state government, whose control over revenue and statistical information was crude in comparison to the central statistical bodies, was inclined to agree with the commission. Even though the National Development Council (NDC) was created in 1952 to give a voice to the states, Nehru (as the chair of the NDC) had control over the states, and therefore his ideas carried weight. Nehru himself was just a symbolic member of the Planning Commission, but was extremely active as he read and rewrote key sections of the Second Five Year Plan (Singh, 1969, p. 442).

The other ministries also broadly believed the image of progress provided by Nehru. We shall rely extensively on the account provided by Banerjee (1984). The ministry of Finance, so long as it was led by T.T. Krishnamachari(a Nehru appointee and supporter), was committed to the alliance' vision of progress. His resignation amidst a scandal made Morarji Desai the new Finance Minister. Desai was committed to the ideas of free enterprise and laissez faire. It was doubtful whether he would provide the

support for the Prime minister's position. Despite his commitment to policies of economic liberalism, he followed "a correct policy in supporting the prime ministers policies" (Frankel, 1978, p. 228). Desai was not a close confidant of Nehru (Brecher, 1966, p. 101), yet in his autobiography he clearly states that the "economy of the country cannot become strong without developing large scale industries" (Desai, 1978, p. 85). Desai thus played a supportive role despite his personal conviction.

The Ministry of Commerce and Industry was initially led by Desai during 1956-58. When he became the Minister of Finance, he was replaced by Lal Bahadur Shastri and then by Manubhai Shah. Both were supporters of Nehru. Manubhai Shah in particular was an ardent supporter of Nehru's plans of industrialization and his desire to introduce heavy industry:

In any massive programme of industrialization, the role of heavy industries is obvious. Only with the establishment of heavy industries can an underdeveloped country look forward to a bright future, where an accelerated growth of the industrial sector can be assured . . . 'BUILD MACHINES, BUILD INDIA' is the slogan which we have repeatedly emphasized in the last few years. I am passionately wedded to it and I have given and repeated this slogan from a hundred or more platforms. (Quoted in Banerjee, 1984, p. 74)

Nehru and other core state functionaries' vision of progress was that of rapid industrialization, and was therefore heavily biased in favor of the urban sector.

Even though Nehru in his speeches gave importance to agricultural development, in the Second and the Third Five Year Plans, resource allocation to agriculture dwindled (Streeton and Lipton, 1966). Table III-3 provides us with a detailed account of the sectoral allocation of revenue.

TABLE III-3
SECTORAL ALLOCATION OF REVENUE IN FIVE YEAR PLANS

SECTOR	I-FYP Rs. C.	%	II-FYP Rs. C.	%	III-FYP Rs. C.	%
Agriculture & Community Dev.	357	15.1	568	11.8	1089	13.6
Irrigation & Power	661	28.1	913	19.0	1679	20.8
Industry & Mining	179	7.6	890	18.5	2136	26.2
Transport & Communication	557	23.6	1385	28.9	1654	20.4
Social Services	553	22.6	945	19.7	1416	17.4
Miscellaneous	69	3.0	99	2.1	110	1.2
Total	100	100.0	100	100.0	100	100.0

Rs. C. = Rupees in Crores.

Source: Government of India, Planning Commission, First Five Year Plan; Second Five Year Plan; Third Five Year Plan.

Analyzing the information that we are provided in Table III-3, we can see that allocation to agriculture was not very high as compared to industry. Despite some rhetorical comments of the regime about the necessity of agricultural development, most of the state resources were allocated towards industrialization. As a result of this, India was importing large quantities of food as well as receiving large quantities of food aid. (see Tables III-4 and III-5).

Shastri and the Rise of the Rural Alliance

Two major political events led to the demise of the first dominant alliance. The first was the death of Nehru in May 1964 and the second was the food crisis that rocked India in the late sixties. The death of Nehru brought to an end the era of charismatic leadership. No other leader could now command such respect or have an unquestioning following as did Nehru (Brecher, 1966). The first dominant alliance whose legitimacy had hinged on Nehru's leadership abilities could no longer find anyone else to legitimize the policy focus on heavy industry. Also the performance of the heavy industry sector was far below full capacity. The heavy industry regime was therefore not able to justify its existence. The performance of the heavy industry sector was far below full capacity. The urban industrial regime was therefore not able to justify its existence. Poor performance of heavy industry had led to

TABLE III-4

FOOD AID AND FOOD IMPORTS TO INDIA
1955/56 TO 1969/70

YEAR	P.L. 480-665 ASSISTANCE	FOOD IMPORTS (IN MILLION U.S. \$)
1955-56	10	111
1956-57	106	-
1957-58	241	-
1958-59	195	-
1959-60	295	-
1960-61	392	450
1961-62	185	309
1962-63	257	377
1963-64	387	450
1964-65	454	678
1965-66	501	744
1966-67	477	941
1967-68	456	772
1968-69	209	537
1969-70	226	428

Source: Food Aid data, Government of India, Ministry of Finance, Economic Survey, various issues. Food Imports, Mellor, 1976, p. 316.

TABLE III-5

IMPORT AND EXPORT FOODGRAINS

YEAR	IMPORT (100s tons)	EXPORT (100s tons)
1977-78	178.6	534.02
1978-79	-	790.11
1979-80	-	1037.72
1980-81	48.5	223.07
1981-82	2192.0	332.90

Source: Ministry of Food and Civil Supplies, Dept. of Food, Basic Plan Section, data prepared on 07-19-85 for reference only, acquired while interviewing, 1985.

extensive import dependence and scarce foreign capital was being used to support the resulting import substitution.

Secondly, the food crisis was at an acute level and state officials, administrators and particularly state legislators could see how the state's focus on heavy industry had created conditions that could lead to a food crisis. Sectoral allocation priorities needed to be shifted. Towards this end, a number of conservatives and non-conservatives who had been silent in the days of Nehru were now acting in full force (Frankel, 1978, pp. 225-227).

Lal Bahadur Shastri succeeded Nehru as India's second Prime Minister. Shastri, in the earlier stages of his regime was faithful to Nehru's vision of progress. After all, his legitimacy depended on the fact that, while alive, Nehru had virtually endorsed the succession of Shastri. Yet within the cabinet and the Congress party were senior and influential members who, while Nehru was alive, had already started to question his emphasis on industrial planning and the subsequent dependence of India on foreign aid in the food sector. These ministers were not going to let Shastri continue the policies of Nehru. Shastri also did not have an independent power base in the Congress Party. He realized that:

The death of Nehru made inevitable a change in the power pyramid of all-India politics: the 'age of charisma' was about to give way to an

era of 'collective leadership. . . . (Brecher, 1966, p. 92)

According to Brecher, Shastri's own style was markedly different from that of Nehru. Within the cabinet, Shastri had introduced a new style of functioning, that was based on collective decision making as opposed to the style of Nehru which was based on elite control of the decision making power.

For the first time, cabinet proceedings were characterized by full dress discussions of subjects on the agenda. The prime minister's summing up would constitute the cabinet decision. This was a refreshing experience (the ministers under Nehru met in a cabinet only to formalize decisions that were informally made earlier between the Prime Minister and the Minister concerned . . .). (Manekar, 1973, p. 190)

Shastri was a man of humble origins and his commitment to the common man was making him question the focus of a policy favoring the heavy industry regime. In fact, his concept of socialism was tinged with the concept of justice for the common man. His concern for the common man, made him place the highest priority on agriculture, since almost 90% of the Indian population lived in the villages and was dependent on the agrarian sector to eke out a living. Also, the food crisis of 1964, when Shastri took the reins of power, confirmed his mistrust of a policy and the planned economy that had a strong urban bias.

A great debate raged within the state about the reasons for the food shortages in India. The Planning Commission and the Finance Minister were of the view that shortages occurred because of hoarding by traders and farmers and that the political solution was to extend control over trading and food distribution. The Planning Commission was still controlled by the appointees of Nehru and their concern was to maintain the dominant urban alliance. The Finance Minister T.T. Krishnamachari was also a Nehru appointee who was wedded to the principle of industrial development.

The pro-agricultural alliance was represented by the new Prime Minister Shastri and the newly appointed Minister for Food and Agriculture, C. Subramaniam. Both of them argued for more investment in agriculture and higher prices for agricultural products. Shastri's particular brand of development ideology, with its emphasis on agricultural development and concern for the common man, led to the decline in the importance of the Planning Commission. The Planning Commission had acquired legitimacy because of Nehru's undaunted support for it. Now with declining support from the office of the Prime Minister, the Planning Commission no longer remained crucial to the policy process (Frankel, 1977, pp. 250-251). In fact, Shastri took measures to divest the commission of such powers. He terminated the clause of

indefinite tenure of the commission members and replaced it with renewable contracts for a fixed term. Secondly, he also severed the links between the cabinet and the commission by appointing a different individual to the office of the Cabinet Secretary and the Commission Secretary (Frankel, 1978, p. 251).

The final blow to the importance of the commission came when the Prime Minister created a new body to aid him --the Prime Minister's Secretariat (Brecher, 1966, p. 115). L.K. Jha was chosen by Shastri to head the Secretariat.⁸ L.K. Jha's appointment as the chief confidant and advisor to the Prime Minister proved detrimental to the Planning Commission. Under Nehru, the men closest to the Prime Minister had been linked to the Commission (in particular T.T. Krishnamachari and Tarlok Singh).⁹ L.K. Jha had no such links with the Commission, which was relegated to the originally conceived role, that of an advisory body to the policy makers.

In the dispute between the elements of the first alliance viz., Krishnamachari, the Planning Commission and actors of the emerging new alliance, history was on the side of the new alliance. The 1965 grain production was at a record low with the rice production declining by 21.6% and the wheat crop by 12.8%. This had triggered a recession in the economy as a whole (R.B.I., 1966-67). The India-Pakistan war of 1965 created an unfavorable

situation that led the aid giving nations to halt incoming aid, further aggravating the economic crisis. Industrial production had dropped by 13.5%. The legitimacy of the industrial alliance was in question. The political pressure to resolve the food crisis was becoming stronger. The goals of the alliance had done nothing to alleviate the problems of maldistribution of food. Neither growing agricultural production nor adequate industrial production had resulted from the strong urban bias of the industrial alliance. The old alliance had no support. A final blow was struck with the resignation of T.T. Krishnamachari, who was embroiled in a corruption scandal.¹⁰ Out of this conflict Shastri and Subramaniam emerged victorious and a new alliance emerged within the state. This new alliance was to foster and build its legitimacy by pushing forward a new image of growth based on the plans of the new agricultural strategy (Banerjee, 1984, p. 84).

Shastri was not alone in wanting to initiate, build and foster a progressive agricultural strategy. He was joined by the Food and Agricultural Ministry led by the Food Minister C. Subramaniam, the Agricultural Prices Commission which was created by Shastri in the 1965, the Food Corporation of India, also created by Shastri in the year 1965, and the Secretariat led by L.K. Jha. Shastri, as the chief executive, had already expressed a preference for pursuing an agricultural strategy that gave incentives

to the producers and provided new as well as abundant inputs for agricultural development. His preference for agriculture became obvious in the Fourth Five Year Plan:

. . . in the long run, the economic conditions of the country will improve only if we plan our economy in a rational and scientific manner. We are in the midst of planning the Fourth Five Year Plan. Agriculture is bound to get a high priority. . . . (Shastri, October 19, 1964)

During his administration Shastri frequently asked the economists and the administrators to concentrate on the basic needs of the farmer. He stressed self reliance and realized that it was essential to concentrate on increasing the production of food in India. To do so, an aggressive agricultural policy was deemed appropriate. He also realized that an increase in agricultural production was necessary to save the scarce foreign resources that were being wasted on food imports (see Table III-4). An indication of the aggressive agricultural policy was the creation of a Prices Commission in June of 1964, under the leadership of L.K. Jha, to make recommendations on prices for the 1964/65 season. The Prices Commission was the forerunner to the Agricultural Prices Commission that was to be established in 1965. The establishment of the Prices Commission and the Agricultural Prices Commission was the first concession made to the increasing demand of the agriculturalists within the state. These were the

institutions that were to provide the controversial price incentives of the later years to the agriculturalists. To aid the Agricultural Prices Commission, the Food Corporation of India was also set up in the year 1965. It was later to become the parastatal agency that controlled the buying, selling and the distributing of grain by the state.

The Food and Agricultural Ministry, led by C. Subramaniam, was a part of the rural alliance that was being fostered by the Shastri regime. C. Subramaniam's position on the issue of food was very close to that of Shastri. He was of the opinion that India needed to focus her energies on the development of agriculture. He agreed with the Planning Commission and the view of T.T. Krishnamachari that hoarding of food was a problem that needed to be addressed in India and that certain decontrols needed to be set by the state in India to minimize that problem. Yet his belief in the view that the food crisis was a result of the poor production remained unwavering. To substantiate his claims, he showed that foodgrain production between the years 1959-64 grew only be a 2.4%. He argued that for increasing production greater incentives in the form of higher prices as well as improved inputs for agriculture were needed by the agriculturalists (Subramaniam, 1972, pp. 111-113). Within the Food and Agricultural Ministry technical expertise was

also being developed through the aggressive policy of the Prime Minister and of the Minister of Food and Agriculture. In the early sixties the Ministry had gained valuable experience on the necessity of providing extension services to the farmers. Technical expertise was developed not only to provide extension services to the farmers but also to improve the quality of the inputs used by the farmers. Subramaniam also collected a group of scientists and experts to develop and produce an indigenous variety of the High Yield Variety of seeds. He also made sure that there was enough money for buying fertilizer (Subramaniam, 1972, pp. 117-118).

The Agricultural Prices Commission and the Food Corporation of India were two bodies that were created by Shastri's administration at the behest of the Prime Minister and the Food Ministers as well as the state Chief Ministers. The National Development council, which represented the Chief Ministers, had been demanding the creation of a commission that would not only procure food for distribution at reasonable prices, but a body that would calculate prices for foodgrains that would reimburse the producers the cost of production, thereby providing him with the incentives for growth.

The Secretariat, the new advisory body to the Prime Minister was created by Shastri and was led by L.K. Jha. The Secretariat had replaced the Planning Commission as

the body that was the closest to the Prime Minister and the institution that the Prime Minister turned to for advice. In that sense the Secretariat's views were important, for they often provided the key to the views of the Prime Minister, at least during Shastri's regime. L.K. Jha's views on food issues were first explicated when as the chairman of the Prices Commission he had said that higher prices and better factorial inputs were essential for increased production. Also he wanted greater resource allocation to agriculture as he did not see agriculture and industry as compatible:

he rejected the widely-espoused thesis that investment in agriculture and industry are complementary, not competitive; at best he declared, there is partial complementarity; hence capital inputs should be diverted to agriculture to stimulate the lagging sector of the economy. (Brecher, 1966, p. 118)

Thus we see that Shastri had initiated an alternative image of progress that was taking root. Not only had he initiated this image, he had also created the state machinery necessary for its successful implementation. The final test for the emergence of the alternative image of progress was the sectoral resource allocation in the Fourth Five Year Plan. "Shastri approached the Fourth Five Year Plan convinced that highest priority in public expenditure should be given to agriculture, even if this involved concessions to domestic and foreign private

investment in the expansion of large scale industry" (Frankel, 1978, p. 249). Once again the Planning Commission tried to make a comeback to political power. Nehru, three weeks prior to his death, had approved the tentative guidelines for the Fourth Five Year Plan. Shastri conditionally approved these guidelines, but invited the National Development Council to study the Plan.¹¹ Shastri's own pluralistic style as well as the breakup of the powerful linkages between the Planning Commission and the senior political and administrative officials, gave the Council a real say in the formulation of the final plan. The members of the council, mostly state ministers, demanded higher resource allocation for agriculture.¹² Even though they endorsed the Plan they instructed the Planning Commission to "provide resources and inputs sufficient to achieve a rate of growth (in agriculture) of not less than five percent per annum" (Frankel, 1978, p. 249).

On January 11, 1986, Shastri's sudden death at Tashkent ended a 22 month rein over the Indian political apparatus. The death of Shastri and the following transition created a situation of crisis in which the continuation of the agrarian alliance was challenged. However, despite the challenge the agrarian alliance was not only going to survive, it was also going to consolidate its position under the new political regime.

Indira Gandhi and the Consolidation of the Agrarian Regime

The post Shastri phase in Indian politics was marked by a peaceful transition of power to the Vice Premier Gulzarilal Nanda. While the face of it seemed peaceful, the Congress Party was the arena of inner party conflicts, of the building of coalitions and support groups within the major factions contending for power.

One of the factions was led by Morarji Desai, the Finance Minister in the Nehru regime. He was also a "behind the scene" contender for power in the transition from Nehru to Shastri. Once again he was vying for the leadership of the country. The second faction was led by the powerful group of five, commonly addressed as the "syndicate." The syndicate members were Kamraj from Madras, Atulya Ghosh from W. Bengal, S.K. Patil from Bombay, S. Nijalingappa from Mysore and Sanjeeva Reddy from Andhra Pradesh. This group had acquired power even under the leadership of Nehru, but had become a group to contend with under the regime of Shastri. With the death of Shastri, the syndicate tried to force the candidacy of Kamraj for the position of Prime Minister, but Kamraj, aware of his own personal limitation as leader of a national stature, refused to be persuaded.¹³ The imperative of finding a national leader who could defeat Desai, if it boiled down to an open contest in the Congress Party, pointed inevitably towards the selection

of Indira Gandhi. Kamraj himself was in favor of selecting Indira Gandhi (Brecher, 1966, Ch. 8; Frankel, 1978, p. 289; Carras, 1979, p. 1). Indira Gandhi herself was not very assertive on her position about her candidacy. She acquiesced in the decision of the syndicate. Knowing particularly that her rise to candidacy depended on Kamraj and the other syndicate members, she is said to have given Kamraj the reins of decision making. In an interview to the newspapers, she is said to have asserted that "if there is near unanimity and Kamraj asks me, I would stand" (Masani, 1976, p. 138). The syndicate members however could not agree on the candidacy of Gandhi. However, mounting pressure from the chief Minister's of various states and the attraction of her national image clinched matters in her favor. In the Congress Parliamentary Party (CPP) elections,¹⁴ the CPP voted overwhelmingly in her favor after her victory in the national elections. Indira Gandhi became the first women Prime Minister of India.

The agrarian alliance that had begun to rise during Shastri's regime but had not been able to consolidate its power, was unstable once more and was dependent on the path of development that was going to be followed by the nation under the leadership of Indira Gandhi. The regime of Shastri, even with its emphasis on agriculture, had not been able to undo the effect of the urban bias that characterized the political years under Nehru. The war

between India and Pakistan had also utilized scarce resources. As a result, when Indira Gandhi took over as the leader of India, she was faced with numerous problems. The year 1965 had been a year of drought that had resulted in an acute food shortage throughout the country. The rise in military expenditure as a result of the 1962 China war and the recent Pakistan war had also depleted the country's resources. To make matters worse the United States, India's largest donor, interrupted the flow of aid to India, showing its displeasure for the recent hostilities against Pakistan. The future of the Fourth Five Year Plan had been seriously jeopardized by all the problems and as a result the country was in the midst of a serious economic crisis. One of the important and politically most critical steps to take at this juncture was to resolve the food crisis. Earlier in periods of crisis, food aid from the United States had provided solutions to the problems of food shortages. Indira Gandhi decided to continue food imports into the country.

Food Aid from the United States and other multilateral agencies was given on the condition that India accept certain stipulations. One of the conditions was that India devalue the Rupee. Indira Gandhi, much against the wishes of her cabinet members, but on the encouragement of her immediate advisors, accepted the

devaluation of the Rupee by 35.5% (Masani, 1976, p. 160).

In a broadcast to the nation on 13 June, she said:

Let me be frank with you. The decision to devalue the rupee was not an easy one. It was taken after the most anxious and serious considerations. How much easier it would have been to have evaded the decision, to have drifted along- waiting, hoping! There are times in the history of every nation when it will be tested, and its future depends on its capacity for resolute action and bold decision. This is such a time in India. (Masani, 1976, p. 161)

By taking the unpopular decision, she clearly revealed that she was not merely in the command of the syndicate or other party members. She had convictions as well as political skills and sagacity. The second condition for the continuation of food aid was that India moderate her stance on Vietnam. Indira Gandhi agreed to tone down Indian criticism of Vietnam. She accepted the proposal of the Indian American Foundation.¹⁵ She is also said to have agreed on relaxing the restrictions on foreign investment and foreign business ventures in India (Times of India, 1.4.1966). In return for these concessions India received an American undertaking for 3.5 million tons of foodgrains and 900 million dollars in non-project aid and a World Bank assurance to consider additional project loans. It appears that in the first few years of her regime, Indira Gandhi was not able to reject the demands of United States. It is important to note that

at this time in her life, she had not formulated her political ideology (Carras, 1979, p. 140). In the next few years, however, not only was she going to emerge as a shrewd political figure dominating the Congress Party but she was also going to ignore the advice of the United States and other foreign powers.¹⁶

In the early years of her administration, Indira Gandhi's political action had not indicated any particular preferences on development strategies for India. Soon, however, certain patterns began to emerge that seemed to favor agricultural development as a key strategy for the development of the economy. She merged the Ministry of Community Development and Cooperation with the Ministry of Food and Agriculture. Seemingly innocuous as this move might appear, it gave C. Subramaniam complete authority over agricultural matters. These actions were a definite indication that she was beginning to favor the agricultural strategy of Subramaniam.

However, before a consistent development strategy could develop, the Planning Commission made one last effort to reestablish the industrial and urban priority of the Nehru administration. The Planning Commission stated that a strategy of economic independence necessitated that India reassert its emphasis on heavy industry. Initially Gandhi supported this approach. She was severely criticized by the Chief Ministers (Frankel, 1978, p. 305)

as well as by the Lok Sabha (House of the People, Lower House). In a unanimous resolution, the Lok Sabha said:

This house is of the opinion that the Government should give top priority to the rural sector for irrigation, electrification and water supply. (Lok Sabha debates, September 2, 1966)

By the fall of 1966, both the kharif crop (fall crop) of 1965 and the rabi crop (spring crop) of 1966 had produced disastrous harvests. The country not only became dependent on food aid but had also been humiliated by this dependence (discussed earlier). Despite the assurance of the United States and the commitment of the U.S.A. to ship foodgrains to India, these shipments had been halted at will and often reached too late to provide the relief needed by drought stricken India (Masani, 1976). In the Lok Sabha session of September 2, 1966, a member introducing the issue of food aid in the house said:

. . . that was the most humiliating time through which we had to go and I hope that there would be no occasion in the future when we will have to pass through such humiliation from foreign countries...we want to be self reliant even in regard to development, but let us first be self reliant at least for our existence (Lok Sabha debates, September 2, 1966)

In the light of these objections and the object humiliation suffered because of the decision of the United States to stop food shipments to India, Indira Gandhi not

only withdrew her support from the growth strategy focusing on heavy industry but also dismissed the Planning Commission (Sen, 1984, p. 87). In response to the drought, failure of both the Kharif and the rabi crops and humiliation from abroad, the Indian political economy underwent a reversal of sectoral priorities. The new Plans clearly pointed out that such a reversal had occurred. Because the Fourth Five Year Plan had been delayed, the state now began to develop yearly plans. The plan for the years 1966-67 and 1968-69 showed an awareness of the crisis, caused by the imbalanced allocation of funds in the third plan, in the agricultural sector (GOI, Planning Commission, 1966, p. 1). More significantly they also accepted the strategy of agricultural development proposed by the new agricultural minister, Subramaniam. He stated that "the highest priority is being given to agriculture and in other sectors of the economy to activities catering to the needs of agriculture" (GOI, Planning Commission, 1966, p. 2). The "new agricultural strategy" was based not so much on alleviating the 'backwardness' of the farmer, but on providing "modern inputs like chemical fertilizers, improved irrigation, pesticides, and new crop varieties of proved genetic capabilities" (GOI, Planning Commission, 1966, p. 32).

The Fourth Five Year Plan was formulated in the year 1969 when a new Planning Commission was formed. D.R.

Gadgil, who was chosen after much debate as the Deputy chairman of the Planning Commission, was known for his criticism of the pro-industrial approach of the Nehru regime. He was also well known for his pro-agricultural views. His selection to the position of Deputy Chairman of the Planning Commission was a clear indication of the preferences of the Prime Minister and the Finance Minister Morarji Desai.

The priorities of the Fourth Five Year Plan included efforts to increase agricultural production by increasing the resource allocation to agriculture as well as, and mostly, by emphasizing the new agricultural strategy. This emphasis also indicated a desire of the administration to eliminate the dependency of India (in the food sector) on foreign actors. The core of the new agricultural strategy was to be the High Yield Variety program. During the Fourth Five Year Plan, the target area was to be extended to 53 million acres (GOI, Planning Commission, 1970 pp. 1, 125). The image of progress of the new regime was definitely linked by the development of agriculture and the development of the new agricultural strategy. However essential it is to have a regime that favors sectoral development, it is equally essential to develop a coalition of actors within the state who will be able to successfully implement that image of progress (Banerjee, 1984, pp. 41-54). The "implementing coalition" consisted

of the Prime Minister, the Ministry of Food and Agriculture, the Ministry of Finance and the Reserve Bank of India, the Minister of Irrigation and Power, the Ministry of Petroleum and Chemicals and the state (regional) government.

The Prime Minister, as we had seen in an earlier discussion in this chapter, seemed to have taken political decisions that were favorable to the development of agriculture and the progressive image of her regime centered around the development of the new agricultural strategy. The problems in the food sector associated with incoming aid as well as the opposition of the political and non-political actors domestically committed her to a strategy of agricultural development. As the chair of the Planning Commission, it was obvious that the commission would adhere to her plan of development. The Annual Plans of 1967-68 and 1968-69 as well as the Fourth Five Year Plan focused on the development of the new agricultural strategy.

The Ministry of Food and Agriculture was obviously in favor of the development of the new agricultural strategy because with an emphasis on the new strategy more resources would be allocated to the ministry. Also the ministry, which had been relegated to a secondary status under the Nehru regime, saw in this move a chance to become more powerful in the politics of the country. The

appointment of C. Subramaniam as the Minister of Food and Agriculture was also indicative of the direction that the new ministry would take. The annual reports of the ministry from 1966-67 to 1975-76 clearly indicates that the ministry believed in the expansion of production through the expansion of the HYV program.

The Ministry of Finance, crucial in the allocation of resources, was led by Morarji Desai during 1967-69. He was of the opinion that the increase in agricultural production should be the major focus in the development strategy. Budgetal allocation therefore should be in favor and in keeping with a strategy that favored agriculture (Government of India, Ministry of Finance, Budget, 1969-70, p. 1). In 1970, however, Desai was removed from office and c. Subramaniam was appointed as the new minister. Subramaniam was well known for his preference of agricultural development. Indeed the new agricultural strategy was his brain child. After his electoral defeat, he was replaced by Y.B. Chavan. Chavan was very close to Indira and her views were implemented in the ministry. The emphasis on agriculture and agricultural priority in resource allocation continued.

The Reserve Bank of India was also crucial to the development and implementation of the new agricultural strategy. Since the new agricultural strategy required credit facilities needed by the "progressive farmer" to

buy the inputs essential for its implementation. The Reserve Bank of India established the guidelines for its member banks. In 1967, with L.K. Jha as its governor, the outline laid down by the reserve Bank emphasized the availability of credit facilities to agriculture, small scale industry and export industry (Banerjee, 1984, p. 106). After the nationalization of the banks in India in 1969, the Reserve bank dictated that agriculture be given the highest priority in the provision of credit facilities.¹⁷

The Ministry of Power and Irrigation also emphasized the rural sector, providing increased rural electrification and irrigation facilities. The Ministry of Petroleum and chemicals was responsible for providing increased fertilizer and pesticides to the farmers. Thus the agricultural alliance within the state had been established and increasing agricultural productivity through the HYV program had become recognized within the state as the development ideology for the next decade.

Conclusion

In the preceding pages a comprehensive analysis of the state--state leaders--as a significant actor, perhaps as a major actor in the policy making arena, is made. It is shown that state policy in the post independence era is the main variable effecting the process of development

because of the historical hegemony of the state vis a vis the social classes. Unlike the west, the Indian bourgeoisie at the eve of Indian independence was not powerful. It was the weakness of the Indian bourgeoisie that allowed the state to play an independent role in policy decisions. In the second chapter, it was shown that the landlords were dependent on the state for their power. Thus the state was the most powerful actor in the formulation of development policy in India. This pre-independence condition created the arena for post-independent policy making in which neither the urban classes nor the agrarian classes could affect policy decision. To analyze policy decisions in India, it becomes essential to look at state actors, their ideological preferences, the conflict between various state actors, and the prevalence of a certain group of state actors in the policy process.

In analyzing the policy preferences of the post independence state, the emergence of the agrarian alliance and the consolidation of the state, we find that it was the policy of Nehru and his cabinet in the first fifteen years of independence that exacerbated the conditions that were inherited from the post colonial state. India continued to import food as well as rely on food aid, under Nehru because of his policies of industrial development as well the urban bias of his regime.

Under Shastri we found that the image of progress based on urban development faced a crisis and an image of progress based on agricultural development began to emerge. Shastri's death however prevented the regime from consolidating the image of progress. During the first fifteen years of Indira Gandhi's regime various state actors were in conflict to establish their image of progress. However the agrarian alliance won the day and their image of agricultural alliance was established.

Notes

1. Fertilizer is an exception. Foreign investment in fertilizer production is larger than in any other areas, but as a proportion of total expenditure on agriculture, it is minimal.
2. In the earlier epoch of colonialism, the colonial state encouraged a comprador bourgeoisie, but when the comprador class grew dissatisfied and wanted a more dominant role, the state prevented their development by introducing complex regulations to control them (Sen, 1985, p. 47-85).
3. From the agrarian classes, the landlords played a predominant role in local affairs and later at the state level. It was only in the late seventies that they entered national politics as a collective force.
4. The Gandhians were basically the followers of Gandhi in the sense that they were avowedly committed to the principles of socialism. Yet, they differed from Gandhi in that they were also committed to the principle of industrial development, contra Gandhi whose commitment to "small is beautiful" made him only favor small industries compatible with agriculture. For understanding of Gandhi's concept of socialism see Gandhi (1951).
5. It was under the guideline of planned development that the Five Year Plans were instituted to present the broad outlines of policy. The Five Year Plans, modelled after the plans of the USSR, became a permanent feature of

development in India. For a guideline and a full discussion of the planning process in India see Hanson (1966).

6. Tandon's opponent was a Gandhian--Acharya J.B. Kriplani. Nehru did not openly endorse the candidacy of either, even though privately he was supposed to have favored Kriplani.

7. Nehru did not fill the working committee of the AICC with his supporters. Opposition did exist, but he had enough support to be the arbiter of policy for the next fifteen years.

8. He was a senior member of the Indian Civil Service and had previously held important positions, one of them being that of the Finance Secretary to the Government of India.

9. For a full discussion of the importance of the Planning Commission and its close links with Nehru see Brecher (1966).

10. As a minister of Steel and Industry, he is said to have granted favors to a particular firm. It was later revealed that the firm belonged to his son.

11. For an elaboration of the process see the Fourth Five Year Plan.

12. For a discussion of the demands of the states see GOI (1964).

13. Kamraj was from the city of Madras in Tamil Nadu. Despite his exposure on the national arena, he was not perceived to be a national figure. He could speak neither Hindi nor English and was therefore unable to communicate with the majority of the Indian people.

14. The Congress Parliamentary Party is the parliamentary unit of the Congress Party.

15. This was not a new proposal and had been presented under the leadership of Nehru. Yet, Nehru had rejected the proposal claiming that the establishment of the Foundation would give the United States of America too much influence over the affairs of India.

16. For an account of Indira Gandhi's political victory see Masani (1976).

17. In 1969 one of the most controversial acts of the Gandhi regime was the nationalization of private banks in India. This act made the Reserve Bank of India even more

influential in the operational guidelines adopted by the other banks.

CHAPTER IV

FROM DEPENDENCY TO SELF RELIANCE: THE STATE, AGRARIAN CHANGE AND THE RESTRUCTURING OF SOCIAL RELATIONS OF PRODUCTION

The previous chapter traced the consolidation of the pro-agrarian regime which set the stage for the Green Revolution. This chapter will focus on the dialectic of India's "Green Revolution" and examine the effects that this revolution has had on the agrarian structure in India. Almost nineteen years have passed since the initial effort to introduce the Green Revolution. Nineteen years are a short span in the study of historical movements. However, enough time has passed since the initial effort to warrant an examination of structural changes in the countryside.

The central aim of this chapter is to examine the effects of the Green Revolution, i.e., the introduction of the new technology, on the formation and transformation of classes in the countryside. It is suggested that the progress towards self reliance, has restructured social relations of production in the countryside. The creation of new social relations of production is the result of the penetration of the capitalist mode of production in enclaves of agriculture. In keeping with the rest of the

dissertation, this chapter will focus on those areas where technological innovations have had a greater impact, that is the Northwestern areas, specifically Punjab and Haryana.

In considering the impact of technological innovations on class structure in the countryside, the Marxian distinction of "class-in-itself" and "class-for-itself" offers a useful point of departure (Byres, 1981).¹ This distinction is used by Byres (1981) and according to him has generated considerable controversy (Meszaros, 1971, pp. 104-15; Draper, 1978, pp. 40-41). It is therefore essential to clarify the sense in which it is used here. We will rely extensively on Byres' usage of these terms. Class-in-itself focuses our attention on the structural changes and characteristics that accompany the process of class formation. It emphasizes the common relationships that individuals have to the means of production and to the appropriation of surplus product. This commonality gives them a common economic interests with each other and in relation to other classes. Class-for-itself implies class consciousness, a recognition of the interests of the class and the ability to act to further those interests. Thus, for example, the rich peasants would be a class-for-itself when they would bargain collectively for an increased share of input factors of production, for better prices for agricultural

goods, for keeping down agricultural wages, and for creating or furthering a political system that would ensure these benefits to them.

The Green Revolution in India

The Green Revolution, or the "new technology" in India was introduced in the mid-sixties (1965-66) by a pro-agricultural political regime (see Chapter III). It is to be recalled that it was Shastri's regime that wanted to increase agricultural production so as to put an end to external dependency in the food sector. Although the term "Green Revolution" was used in the Indian context in 1968,² it was in 1964 that the planners of development policy in India announced "a fresh consideration of the assumption, methods and techniques as well as the machinery of planning and plan implementation in the field of agriculture" (Frankel, 1971, p. 5). However, the planners under Shastri did not spread the experiment with the Green Revolution all over India. It was concentrated in 20% to 25% of the cultivated area where assured irrigation facilities provided a fertile area for achieving rapid increases in production. Thus from its origin, the Green Revolution was definitely area specific. In October of 1965 the intensive use of technological innovations was put into practice in 114 districts, under the Intensive Agricultural Areas Program (I.A.P.P.).

In 1965, the report of a technical breakthrough in the development of new varieties of wheat and paddy³ from Taiwan and Mexico, lent credibility to the agricultural policy focus of the Indian government. Both in Mexico as well as in Taiwan, it was reported that the availability of irrigation facilities, and an input package complete with high doses of fertilizers and pesticides were essential for the growth of the "miracle seeds." In November of 1965, the Food Minister C. Subramaniam had obtained political acceptance for the application of the "new strategy" to Indian agriculture.

The essence of the "new strategy" or the Green Revolution included biochemical and mechanical innovations (Rao, 1975; Bardhan, 1977a, pp. A-35; Bardhan, 1977b, pp. 1062-3; Chadha, 1978, pp. A-87; Singh, M., 1979, p. 595; Byres, 1981). Biochemical innovations comprising modern inputs such as hybrid seeds, fertilizers, pesticides, and irrigation facilities, which are seen as complementary inputs, all needed to be applied together to have an impact on production. Mechanical innovations consist of tractors, threshers, drills, mechanical pumps for irrigation, mechanical reapers, combine harvesters etc., with by far the greatest importance given to tractors (Byres 1981, p. 409).

In the initial stages of the Green Revolution, no such distinction between biochemical and mechanical

innovations was made by the policy makers. The government of India claimed that both strategies were essential for the success of the Green Revolution. Biochemical innovations and technical innovations were seen as complimentary and equally necessary for the new strategy of increasing agricultural production. This strategy of using technological innovations in agriculture was based almost exclusively on increasing agricultural production. It was a strategy that aimed at "changing the forces of production without aiming at the concomitant changes in the relations of production" (Rudra, 1979, p. 74).⁴

From the implementation of the Fourth Five Year Plan, the new strategy had become critical in the development strategy of the Planning Commission. As discussed in Chapter III, the Fourth Five Year Plan allocated large resources to the implementation of the Revolution. The successive Five Year Plans have also showed an increasing commitment to the continuation and perpetuation of the revolution. Indeed the Revolution, or the application of technological innovations to agriculture, has yielded highly encouraging results. From the starting phase of the Revolution in the late sixties, there has been record production in wheat. In 1967-68, the High Yield Variety (HYV) wheat recorded a high of 16.6 million tons, compared to the previous record of 12.3 million tons achieved in

1964-65, the last good weather year. In 1969-70, national wheat output had been 20 million tons. Successive years

TABLE IV-1
TOTAL WHEAT-RICE PRODUCTION IN INDIA (IN MILLION TONS)

YEAR	WHEAT	RICE
1960-61	11.0	34.6
1965-66	10.4	30.6
1978-79	35.5	53.8
1979-80	31.8	42.3
1980-81	36.5	53.2

Source: Bulletin on Food Statistics in India, Ministry of Agriculture, Government of India. Various Years.

have seen a tremendous increase in the production of wheat (See Table IV-1).

The new paddy varieties did not show striking results in the early years of the new strategy. In paddy there were important technological problems that remained to be resolved. In 1971, when Francine Frankel wrote her book on the Revolution, appropriately entitled India's Green Revolution wheat had made a striking breakthrough, but paddy production was still problematic. However, in the later years following more experimentation, indigenous strains of rice were developed, such as the ADT 27, Mashosi, CO-25, CO-29 and NC. The IR/8 strain which was

developed by the International Rice Research Institute of Manila also was introduced in India in 1967-68 (Bhalla, 1984, p. 199). In the early seventies IR-20 and IR-22 were also introduced (Dasgupta, 1975, pp. 58-59). These strains proved to be less susceptible to disease and insects and still continue to be used. These helped increase the yield per hectare in rice as well.

However there was no major breakthrough in coarse grains--the staple food of the poor income groups. Jowar (sorghum), Bajra (pearl millet), and Mucca (maize) have shown no major breakthrough, nor have pulses and oilseeds. Thus the revolution has in essence been crop-specific as well as area-specific. The two crops that the revolution has had success with are wheat and rice. The regions that have actually flourished under the Revolution are Punjab, Haryana in the case of wheat, Tamil Nadu, Andhra Pradesh, Punjab and Haryana in the case of rice. Coarse grains--bajra, and lentils--tur, have not recorded any breakthrough (See Table IV-2).

In Table IV-2, the production in terms of yield/hectare is given for select crops and state. The year 1978-79 is chosen because it was a good crop year. Analyzing Table IV-2 we find that only a few states have a yield per hectare of more than 2 tons. This is true for only rice and wheat. This data thus corroborates our

statement that the revolution was not only area-specific but crop-specific as well.

With the introduction of the new strategy, Indian agriculture has made remarkable strides since

TABLE IV-2

YIELD PER HECTARE OF SELECTED CROPS IN SELECTED STATES
1978-1979

<u>STATE</u>	<u>--YIELD PER HECTARE IN TONS--</u>			
	RICE	WHEAT	BAJRA	TUR
Andhra Pradesh	1.87	N.A.	0.60	N.A.
Bihar	0.98	1.39	-	-
Karnataka	1.98	N.A.	-	0.66
Madhya Pradesh	0.74	0.93	0.42	0.67
Orissa	1.01	N.A.	-	-
Punjab	2.94	2.71	-	-
Tamil Nadu	2.02	N.A.	1.11	-
Uttar Pradesh	1.16	1.55	0.62	1.29
West Bengal	1.40	-	-	-
Haryana	-	2.29	0.44	-
Rajasthan	-	1.44	0.25	-
Gujrat	-	-	1.06	0.57

Note: Bajra=Pearl Millet, Tur=Lentil, N.A.=not available

Source: Indradeep Sinha, 1984

independence. This is brought out by the fact, that by the middle of the seventies the country had become self sufficient in the production of foodgrains (Bhalla, 1984, p. 199, also see Tables III-4 and III-5). However, because of the crop and regional (area) specificity, there are regional variations in the spread of these modern techniques. Broadly speaking, the picture is as follows.

The North-Western parts of India, namely Punjab, Haryana and Western Uttar Pradesh were the first to adopt the new technology on a large scale. It later percolated to the coastal rice-producing areas of Andhra Pradesh, Tamil Nadu and Kerala. In these revolution areas rapid increases in agricultural output have been recorded. However, in the areas where the new technology is not well entrenched, the growth rates of agricultural output have been very meager. This is specifically true of the southern dry states and some of the eastern states.⁵

The Effect of the Revolution on the Agrarian Structure

The precise character of the transformation of the agrarian structure, brought about as a result of the Green Revolution, has been the subject of considerable controversy (see, Rudra, Majed and Talib, 1969; U. Patnaik, 1971; Byres. 1972, 1977, 1981). One of the areas of controversy discusses whether or not the new technology has given rise to the capitalist mode of production.⁶ However, as a result of the introduction of the new technology, certain patterns have emerged in the areas affected by the Revolution that suggest that a qualitative change has occurred: a change from the semi-feudal mode of production to the capitalist mode of production.

Examining the impact of the Revolution, right from its inception in the countryside, we find certain dominant

patterns, suggesting a trend towards the capitalization of agriculture.⁷ A word of caution must be added here, it is to be stressed that capitalist agriculture is still not the norm in India, it is confined to the states and the areas in which the new technology has been successful. Amongst the patterns that point to the emergence of capitalist agricultures are the emergence of high rates of capital formation, mechanization of agriculture, the eviction of share-croppers by land owners (Ladejinsky, 1969, pp. A73-A82; Billings and Singh, 1970, pp. A169-A174; Byres 1972, p. 105), the attempt to increase landholding (Byres, 1972, p. 105), and where buying out land is not a possibility, we find that the richer peasants are leasing in land from the smaller peasants (EPW correspondent, 1971, pp. 88-90; Dandekar and Rath, 1971a, pp. 25-48; 1971b, pp. 106-146; Sinha, 1984, p. 174).

In the Marxian sense the essence of the capitalist mode of production is the creation and exploitation of wage labor. During the Revolution, agricultural laborers were employed extensively. Also, the buying of land from small peasants in an attempt to increase landholdings evicted the small peasants from the land and created a reserve army of labor. This increased the number of wage laborers available and created a new body of laborers, thus providing the basis for the capitalist mode or

production--the wage laborers. This change in the mode of production was accompanied by changes in the relations of production. Such a change in the agrarian structure was very distinct from change in the agrarian structures under colonialism where the agrarian economy was integrated into the structure of international capitalism without changing the mode of production of agriculture in India (see Chapter II, for a lengthier discussion).

Changes in the Relations of Production:
A Restructuring of Social Relations of
Production

The Agrarian Structure

The agrarian structure in 1947, could broadly be characterized in the following manner. This section draws extensively from Byres (1974). The agrarian structure was essentially pyramidal in structure with the landlord class at the top of the pyramid. The landlord class, which came mostly or almost always from the dominant castes belonged to two subcategories. One was the class of large, usually absentee landlords. This form was prevalent in the Zamindari areas. The second type of landlord was a resident proprietor of the village. Whereas in the former Zamindari area the landlord commanded more than one village, in the latter the landlord only had one village under his purview. These landlords generally existed in the Ryotwari areas.

At the next level existed a vast peasantry. There was tremendous regional differentiation in the peasantry. Within the broad rank of the peasantry, there existed tremendous differentiation as well. At the top of this second layer was the rich peasantry. The rich peasantry was a class of peasants who were part owners of land and part tenants. The percentage of ownership was high compared to that of non-owners. This class of rich peasants was known to accumulate capital, was market oriented, and employed wage labor. However, the labor employed by them was not similar to wage labor under capitalism. Payment in kind, and patron-client ties characterized the relationship between the rich peasant and the laborers. It is important to note that the rich peasants were certainly not the "masters of the countryside" (Byres, 1981, p. 425) and were also far from constituting a class of capitalist farmers. That transition was to come later with the Revolution.

The second level within the peasantry was that of the middle peasants. The middle peasants were also part owners of land and part tenants. The land they owned was less than that of the rich peasants but more than that of the small peasants. The middle peasants were mostly tenants. Their production was not oriented towards the market but was more subsistence oriented. They also employed small amounts of labor (Byres, 1974, pp. 229-37, 246-48).

Finally there were the poor peasants, some of whom had small parcels of land. They were however mostly tenants. These individuals were likely to be sharecroppers. Amongst the poor peasants, there was a high level of indebtedness to the village moneylender who provided access to credit. There was also some form of market orientation, even though this market orientation took the form of "distress sales" rather than truly commercial sales. This level of poor peasants often supplied agricultural labor, for almost 50% of agrarian families were poor peasants without land (Thorner and Thorner, 1962).

Finally, at the lowest rung of the ladder, you had landless laborers. The landless laborers are said to have existed since Mughal times, but as pointed out in Chapter II, the number of the landless laborers increased in the nineteenth century and early twentieth century as a result of colonial rule. This class, usually worked as bonded laborers.

Relations between landlords and agricultural laborers

Relations between landlords and agricultural laborers and the poor peasants were characterized by patron-client ties. Clientelism worked as a mechanism for maintaining and reproducing the existing rural economy.

Clientelism in India has largely been perceived in terms of caste, patrons and clients being collectively

identified with, respectively, high and low caste (Wiser, 1936; Cohn, 1955; Gough, 1960; Gould, 1964). "The(se) relations between landlords and farm servants must be judged in the light of a much more general pattern of relationships, which prevailed among the various castes in the traditional society and which has come to be called the jajmani system" (Breman, 1974, p. 12).

The jajmani system, a specific form of clientelism, is usually perceived, in terms of the caste structure, as an ascriptive system of social stratification and a division of labor founded on the basis of purity and impurity (Breman, 1974, p. 13). Historically, every caste performed specific tasks and in principle it enjoyed the monopoly in the region of carrying out certain tasks allocated to it. Economic specialization was thus the basis of castes. The resulting interdependence among the economically specialized castes was expressed through a system of exchange relationships which was called the jajmani system (Wiser, 1936).

There is considerable controversy over the issue whether agricultural laborers were a part of the jajmani system (see Cohn, 1955, Gough, 1960, Pockock, 1962). The controversy was highlighted by Pockock, who saw the relationship between agricultural laborers and landowners as strictly economic (or class), and that of the jajmani system as being strictly restricted to caste. In this case

the conflict arises from the distinction drawn between caste and class. The jajmani system is seen to be a caste system and is not supposed to include class. Even though caste and class are two conceptually unique categories, they have often appeared in similar empirical forms. Although Pockock is right in arguing that the jajmani system is not limited to only economic relationships, it can be argued that in most cases the economic relationships also overlapped relations stemming from religion. For example, in many households, the relationship between the agricultural laborers and the landlord was not strictly economic. The agricultural laborers also performed tasks in the house of the landlord that were ritual in nature (Breman, 1974, p. 14). In essence then the jajmani relationship was "a network of social exchange among the members of the various castes which had religious and economic as well as political facets" (Breman, 1974, p. 15; also see Beidelman, 1959, p. 30; Epstein, 1967, pp. 15-16).

The exact structure of the exchange relationship between the landlords (patrons) and the agricultural laborers or the poor peasants (clients) has been the subject of great controversy. Wiser has claimed the relationship to be mutually beneficial amongst more or less equal partners (Wiser, 1936, pp. 10, 51-53). Diametrically opposed to Wiser's view are those of

Beidelman and Gould, who claim that the jajmani system is based on asymmetrical access to land. Both Beidelman and Gould describe a relationship in which power of patronage lies with the landowners (or the jajman), and the agricultural laborers (or the kamin) provides the services to the landowner. The landowners belonged to the dominant caste (locally), not necessarily the ritually highest caste (Beteille, 1965; Srinivas, 1955). They were also the most powerful political castes. The members of the other castes were the clients of the jajman and depended on them for work.

Researchers have seen the relationship between the jajman and the kamin as mutually beneficial, not exploitative. The jajman's power and prestige depended not only on his access to land but also on the clients he commanded to work that land. Thus it was in the interest of the jajman to treat the client in a paternalistic way. Most jajman's treated the kamin with magnanimity and liberality not only while distributing the harvest but also in times of crisis. Thus the jajman would feel obligated, for example, to aid the kamin in fulfilling his obligations as a father for his daughters wedding, or on the birth of a son. Since the power of the jajman depended on the clients he commanded, he would endeavor to put his clients under an obligation and thus manouver them into

dependence (Srinivas, 1955, p. 30; Beidelman, 1959, p. 27).

The client or the kamin (agricultural workers, casual laborers) had in turn duties to perform for the jajman. In essence and according to a standard interpretation, a recognition of and a resignation to his "station in life", made him feel happy in the well-being of his jajman. A recognition that their fate (the kamins') was closely associated with the increase in power and prestige of the jajman, made the kamins proud of the esteem obtained by their jajman, and they even participated in it. A member of an impure caste (kamin) claims:

This is the only means of livelihood open to us, and the richer the landlord we serve the more prestige and honor we have (Lewis and Barnow, Quoted in Breman, 1974, p. 19).

Thus the system of internal dependency fostered by clientelism, was at the same time both exploitative and beneficial to the kamin. In essence then, Wiser's view of a harmonious relationship between members of different castes was partially correct. Since the prestige and power of the landlord, the jajman (patron) derived not only from his ownership of land, but also from the number of clients he commanded, it made it essential that he guard and promote the interest of his clients. However, this did not necessarily make the relations equal. "The jajmani system as a form of patronage implicitly mitigated exploitation,

while at the same time it contributed to its continued existence" (Breman, 1974, p. 20).

With the introduction of the Revolution, the jajmani relationship or the mechanisms of internal dependency have changed drastically. The capitalization and commercialization of agriculture through the introduction of the Revolution has not only restructured the mechanisms of internal dependency but have also increased the dependency of the poor peasants on the new landlords, as well as on the market.

The Green Revolution and the Emergence of the Capitalist Farmer

During the first two decades of Indian Independence (1947-1967), India's agrarian structure underwent certain changes. Legislation to abolish Zamindari was passed in some states. Various land reform legislations to redistribute land were also passed. The Zamindars as a class did not have political power vis a vis the state. Their power, political and economic, derived from the state (discussed in Chapter II). Therefore their capacity to act as a class-for-itself was very limited. The power of the semi-feudal landlord was reduced, without much resistance.

The landlords in the Ryotwari areas suffered no such blow. The Ryotwari landlord who was prominent in the Northwest of India, Haryana and Punjab, was able to

survive most legislation that curtailed his power. Tenancy legislation was easily circumvented by the medium and small landlords in the Ryotwari areas, by the creation of disguised tenancy--often oral tenancy (Byres, 1981, p. 423). One of the side effects of the tenancy legislation was to "force" the medium and small landlords to become direct cultivators. The result of the trend towards direct cultivation was the eviction of tenants from these lands and the creation of an army of wage labor. This group of Ryotwari landlords was ready to take to capitalist farming, if the opportunity should arise. In fact, these richer peasants were able to accumulate capital by bringing in more land under cultivation, which, when the opportunity arose under the Green Revolution, would help convert them to "capitalist" farmers.

The middle peasantry may or may not have participated in the benefits of land reforms. However, it is obvious from the survey of literature that the poor peasants and the agricultural laborers were not participants in the benefits accruing from the land reform legislation. In fact, the land reform legislation actually harmed the poor peasants. In the fifties, fear of land ceilings and seizure of not directly cultivated land led the landlords to secure land for personal cultivation (Bardhan, 1977a, p. A38). As a result of this tenants were evicted from the land and a large number of poor peasants who were leasing

land from the "absolute" landlords were forced to give up that land. However, 'disguised' tenancy seems to have continued. Landless laborers in the fifties and early sixties seemed to have not fared well, according to the report of the Indian Planning Commission (GOI, Planning Commission, 1961, p. 375).

Thus, in the late sixties when the revolution was introduced, Punjab and Haryana had an agrarian structure that was ready for the introduction of capitalism. The class of rich peasants, with access to land and capital were "ripe" for transformation into capitalist farmers (Byres, 1981, p. 427). However, they lacked the infrastructure and technological know how to bring about the capitalization of agriculture from their ranks alone. Thus the role of the agrarian regime of the Indian State was extremely important in the transformation of this class into that of the capitalist farmer. The introduction of the Green Revolution under the aegis of the state was responsible for the conversion of this class to that of the capitalist farmers. It was the Revolution that brought about the economic differentiation within the peasantry and consolidated the "class-in-itself" changes that are indicative of the capitalization of agriculture.

The Green Revolution, as discussed in the early parts of the chapter, was area specific as well as crop specific. In fact, the Revolution targeted areas that

were readily able to adopt such technology, i.e. the Ryotwari areas. One of the consequences of the area specific focus of the Revolution was that the rich farmers were able to consolidate and increase their wealth and status in the village. Rich farmers tended to adopt both the technological and biochemical innovations. One of the reasons that the rich farmers turned out to be the "progressive" farmers was their superior resource endowment vis a vis others in the agricultural sector who helped to facilitate the adoption of the new technology. The low propensity of small farmers to adopt the new technology was definitely linked to a characteristic of their class which allowed them limited access to the new technology. If resource endowment were to include 'knowledge' or information, as it must, then we find that certain groups from the rich farmers had control over information channels which increased their ability to successfully implement the new technology. Sylvia Hale on the basis of a study in five U.P. villages found this to be empirically true (Hale, 1973; quoted in Dasgupta, 1977, p. 241). Their study concluded that the rich peasants had greater access to technology and that they also used their connections with the local extension officials to exclude the hostile groups and smaller peasantry from this information.

Secondly, the risk factor, or to use Scott's phrase the subsistence factor (Scott, 1976), was equally important in the restricted adoption of the new technology. To elaborate, Tawney's discussion of the Chinese peasantry brings out the most important reasons why poor peasants did not adopt the new technology. According to Tawney, the position of the peasant is often "like that of a man standing permanently up to his neck in water so that even a ripple is sufficient to drown him" (quoted in Scott, 1976, p. 1). The peasant eking a subsistence out of his farm was thus adverse to the risk involved in adopting the new technology because his situation prevented him from doing so. Of course limited access to resources, to credit and insurance facilities merely exacerbated his precarious situation and prevented him from adopting the new technology. Also, given the uncertainty regarding prices and market condition and the inability of poor peasants to have storage facilities, we find that the position of the poor peasants becomes more tenuous. Given all these factors, i.e. the limited risk bearing capacity of small farmers, their inability to insure credit, limited or no access to knowledge and information systems, the small peasant was "naturally" restricted in his ability to adopt the new technology.

Thus we find that the new technology was geared toward the rich farmers and that the rich farmers were

able to adopt the new technology because of their resource endowment, as well as the fact that they captured to a large degree the institutional credit provided by the state. (Dasgupta, 1977, pp. 115-119, 123, 244-50; Bapna, 1973; Kahlon and Singh, 1973a, 1973b; Farmer (ed.), 1977, pp. 114-115, 121-123, 132, 137-138, 265, 304; Bardhan, 1977a, p. A38; Rao, 1975, pp. 136-142). The smaller cultivators did adopt the new innovations, yet their adoption was limited to biochemical innovation rather than mechanical. (Byres, 1981, p. 427). We know that in Punjab and Haryana, tubewells are concentrated in the hands of rich peasants (Dasgupta 1977, p. 92), and this is true for tractors and mechanical reapers etc. as well. Thus mechanical innovations have also deepened the economic differentiation of the peasantry and concentrated the benefits of the Revolution in the hands of the rich and middle peasantry. In the late seventies, it has been suggested that the middle level of the peasantry was also benefiting from the Green Revolution. However, as Rao was to point out, the late starters derived less benefits from the adoption than early ones. For example, latecomers may have to insure more costs for the same innovation because of the adverse externalities imposed by the early exploiters giving the examples of tubewells, he claims that latecomers who wish to have tubewells may have to bear higher costs because of "adverse externalities for

e.g. like the lowering of the water-table by early exploiters" (Rao, 1975, p. 202) as a result of which new comers had to spend more resources to draw water. Also, Byres (1981, p. 427) suggestion that the terms under which such participation occurs is useful. For example, a sharecropping peasant who uses the new technology either on the basis of cost-share leasing pays a large part of his produce to the landlords and is therefore very different from the rich peasant who adopts the new technology based on his own resource endowment. Thus the Green Revolution deepened the economic differentiation of the peasantry. More importantly it converted the rich farmers into a class of capitalist farmers. The rich farmers, as a result of the opportunities provided him by the Green Revolution, has become a capitalist farmer.

The Restructuring of Social Relations of Production

As a result of the deepening economic differentiation of the peasantry and the capitalization of agriculture, a restructuring of social relations of production has occurred between the landlord and the small peasant as well as the agricultural laborers. The traditional jajmani relationships that characterized the relationship of obligations and duties between the traditional landlord and the agricultural laborers have been eroded. The evolution of the capitalist farmer has struck at the core of the jajmani relationship. The capitalist farmer is

interested in production for the market and in capital revenue for his produce. To secure larger production he increases the land under his cultivation, evicting previous tenants, or in turn leases in land from his tenants. This has eroded the semi-formal obligation felt by the jajman towards the kamin. Also, the agricultural laborer who traditionally looked toward the landlord for providing credit in times of need, cannot do so any longer because the landlord now uses any extra capital he has for investment purposes. The patronage of the landlord no longer extends to the laborer. In fact the landlord is now proving to be an obstacle in the ability of the laborer to obtain credit from outside sources by cornering all the institutional credit for himself. It is evident therefore that the process of rural proletarianization is an outcome of the Green Revolution. Jajmani relationships do not exist anymore in the areas of Punjab and Haryana. These relationships between the landlord and the laborer have been replaced by the "cash-nexus". Wage relationships have replaced the traditional relationships of obligation and responsibility. That the wage relationship has deepened the dependency of agricultural laborers on rich peasants becomes apparent, when we analyze the marginalization of the peasantry that has occurred in Punjab and Haryana.

The evidence on the dispossession of land in Haryana and Punjab, points out that "the distribution of land has

shifted in favor of the richer farmers under the new technology" (Dasgupta, 1977, pp. 256-260; also see Kahlon and Singh, 1973a and 1973b; Laxminarayan, 1973). Sheila Bhalla, who has done extensive work on Haryana, provides evidence to show that in both the HYV wheat and rice areas, there has been a shift in operated land in favor of the rich peasants. Does this imply that the poor peasant have no land to cultivate at all? That answer is not so simple. In some instances dispossession of land has occurred. Bhalla shows us that between 1962 and 1872 about 10,500 households were reduced from some form of tenancy to that of landless laborers. However, Bhalla also points out that this was in a way compensated by the hiring of land by individuals who had in the previous years operated no land (Bhalla 1977a, pp. A4- A9). What then, has been the process of marginalization?

The process of land expropriation has occurred in the form of "tenant switching". Tenant switching refers to the leasing out of land by the middle or poor peasants to the rich peasants. This reverse leasing of land occurs because of the increasing demand for wage labor. The Green Revolution has created a peculiar situation in which there is a decline in the number of households not owning land (conversely an increase in the number of households owning land) but a decrease in the percentage of cultivated land. Thus we can say that while the poor peasant does retain a

piece of the land, yet increasingly he has to sell his labor power (Rao, 1975, p. 113). The process of rural proletarianization has been partial (Byres, 1981, p. 432). It is partial because in both Haryana and Punjab, the poor peasant retains some part of the means of production, however small (Byres, 1981, p. 432). This newly created labor force was employed in the early stages of the Green Revolution, despite the mechanization of agriculture (Bardhan, 1977b, p. 1066). However, a study by Billings and Singh (1971) on the Punjab which does projections up till the mid-1980's suggests that the mechanization of harvesting and threshing operation would bring about a decline in the employment of labor. Bhalla's study on Haryana (Bhalla, 1976, pp. A23-A25) confirms that in areas where the Green Revolution has been prominent, the component of labor has changed drastically, where earlier casual labor used to be employed, the Green Revolution is bringing about complete rural proletarianization, and permanent laborers are now replacing casual laborers.

A trend toward new forms of dependency has been observed. The contracts between agricultural laborers and the landowners are acquiring a more permanent character. Whereas in the sixties agrarian contracts lasted about a year (maximum), Bhalla finds that in the Green Revolution regions of Haryana, 2 year contracts are common and 3, 4, and 5 year contracts are also reported (Bhalla, 1976, p.

A25). These contracts are very formal and legal, and are finalized in front of witnesses and often carry advance payments. The form and amount of payment, the periodicity and the duration of contract etc. are all entered into the 'Bahi Khata' (log book) of the landowners. What appears to be a positive reinforcement for the workers in actuality has intensified the dependency of the peasants and the agricultural laborers on the dominant class. Inversely, the power of the capitalist farmers vis-a-vis the landed laborers has increased because all the witnesses are of the dominant classes. Because of the various permutations of the contract, laborers are now legally indebted to the rich capitalist farmers and in case of conflict the system favors the landlords (Bhalla, 1976, pp. A26-27; Byres, 1981, p. 436).

Not only are the forces of production undergoing change, but as a result of the changes induced by the new technology, the social relations of production have also changed. The patron-client characteristics of the semi-feudal agriculture have been upset in these scattered enclaves of modern agriculture. The traditional attitude of mutual dependence and obligations have been eroded.

Landowners (have begun) . . . to make rough calculations of opportunity costs in determining whether or not to lease out part of their land or cultivate directly, rather than be guided by traditional sentiments of personal obligations to customary tenants . . . The tenants . . . (are) always in fear of

losing some part of their holding to another tenant or to the landlord, have for their part sloughed off traditional feelings of deference and obligations towards the landlord. (Frankel, 1978, p. 374)

In most cases the restructuring of the traditional dependency relationship of patron-clientelism has actually deteriorated the conditions of the poor peasants and the agricultural laborers. The traditional system of proportional payments in kind for agricultural operations has been replaced by a cash wage for work. Although more intensive cropping patterns and diversification of crops has increased, which in most cases has also led to an increase in cash wages, the rise of prices has generally left the poor peasant and the agricultural laborer with no improvement in real income. In most cases real wages have increased if we compare 1980 against the year 1975. However, compared to 1970, the real wages in Haryana and Punjab have declined. When compared to 1975, real wages in Punjab and Haryana register a marginal increase. However, 1975 was the year of high, inflationary prices. Therefore a comparison to 1975 only does not give us the real picture of the effects of the Revolution on the buying power of the agricultural laborer. It appears that the situation of agricultural laborer has not changed drastically in terms of real income (See Table IV-3). However, as we discussed in the earlier part of this section, the erosion of traditional ties of duty and

TABLE IV-3

REAL INCOME FOR AGRICULTURAL LABORERS IN SELECT STATES

STATE	YEARS-----			
	1965	1970	1975	1980
Andhra Pradesh	2.4	1.98	1.24	2.20
Assam	2.29	2.15	1.71	1.80
Bihar	1.33	1.18	---	1.40
Gujrat	1.50	1.76	0.94	1.70
Uttar Pradesh	1.52	1.52	0.87	1.80
Kerala	3.03	1.98	1.56	1.99
Tamil Nadu	0.91	1.05	0.74	1.70
Haryana	0.80	1.30	0.81	1.00
Punjab	0.98	1.50	1.02	1.10

Source: A. Gupta (1977, p. 29) for data till 1975. For 1980 see Agricultural Wages in India 1980-81, Ministry of Agriculture, GOI, New Delhi.

obligation have left the agricultural laborer with no other means of support. The agricultural laborer and poor peasant who now cannot turn towards his "traditional patron" for help finds his search for a new patron in the state, in vain. Thus the restructured form of social relations based on the cash nexus as opposed to the the traditional ties are harsher and much more exploitative.

Capture of State Power

As a result of the Green Revolution we found that "class-in-itself" changes occurred in the rural areas altering the agrarian structure within the enclave of the

Green Revolution. The capitalist peasant had emerged as a class-in-itself as a result of the Green Revolution. Given the definition that we borrowed from Byres (1981), we find that in Punjab and Haryana, the rich peasants were definitely a class-in-itself where they had common interests vis a vis the means of production as well as a set of common interests vis a vis other classes. Of greater significance is the fact that almost a decade after the initiation of the Green Revolution this class has also acquired the characteristics of a class-for-itself, working towards increasing benefits for itself as a class.

One of the measures by which a class can forward itself is by increasing its political power. The capitalist peasant has realized that in order to secure economic advantages and to consolidate their position in the national economy, the capture of policy making institutions is extremely important. The rich capitalist peasants in both Haryana and Punjab have been extremely powerful at the local levels.⁸ The monopoly of institutional credit, knowledge about inputs, and the linkages with block development officers have been documented extensively for the local levels (Hale, 1973; Dasgupta, 1977, pp. 240-242).

However, the rich capitalist peasantry was not satisfied in being the "junior partners"⁹ of the state

alliance. They have pursued class-for-itself action to become represented in the Lok Sabha.. Table IV-4 on the occupational classification of state legislators, i.e. members of the Legislative Assembly of Haryana indicates to us the high percentage of agriculturalists in the Legislative Assembly of Haryana when compared to any other occupation. We can safely say that in the regional assembly of Haryana, the agriculturalists have always had high representation when compared to any other occupation. A similar case can be made for Punjab and Uttar Pradesh (for Uttar Pradesh see Paul Brass, 1980, pp. 3-37). The politicized peasantry is, however, not satisfied with the acquisition of regional power. The realization that the structure of the federal system in India is such that the federal state retains the dominating powers in most arenas, is one of the reasons why the rich capitalist peasantry has targeted the central legislature. In the Lok Sabha (the lower house) we find that over the last thirty years the representation of the agriculturalists has increased from 23% in 1952 to 38.1% in 1980. Table IV-5 indicates the steady increase in the percentage of agriculturalists in parliament. This increase in participation at the local, state, and central institutions indicate an increase in class-for-itself

In the following chapter we will see how the capturing of state power has been utilized by the

TABLE IV-4

OCCUPATIONAL BACKGROUND OF THE HARYANA
LEGISLATIVE ASSEMBLY (L.A.)

(Percentages)

OCCUPATION	I. L.A. 1967	II. L.A. 1972	III. L.A. 1977	IV. L.A. 1982
Agriculture	45	56	41	52
Politicians	6	15	14	13
Government				
Servants	1	-	-	-
Lawyers	21	16	20	18
Business	4	10	9	9
Journalist	2	-	1	-
Social Workers	4	1	8	5
Military	1	-	-	-
Other	7	2	3	3
No Response	9	0	4	0
Total	100	100	100	100

Source: Haryana Legislative Assembly, Who's Who, GOI. Haryana, various years.

capitalist farmer to secure favorable prices for his produce. In essence then, the capitalist farmer has secured political power for himself, which he utilizes to pursue policies favorable to the class. Byers (1981, p. 445) makes an interesting analogy:

. . . During the debate which raged in the Soviet Union between 1926 and 1929, Trotsky declared, in one of his memorable phrases that, 'the Kulak . . . is knocking at the door of politics' [Times Literary Supplement, 1969]. In India, the Kulak (if we may use that word) has marched boldly through the door of politics and is very much a force to be reckoned within the Indian polity. Indian state power has been exercised on his behalf. One cannot understand the nature of the Indian

state-its class basis- unless one recognizes this. (Byres, 1981, p. 445)

The power of the capitalist farmer, to pursue policies favorable to himself, can be seen in the way he has exercised influence to undermine the decision to tax agriculture. In May, 1974 the taxation of agriculture (specifically the rich peasantry) arose as an important issue. The Planning Commission that was laying down the groundwork for the Fifth Plan argued vehemently in favor of taxing the rich farmers. However, the Prime Minister Mrs. Gandhi rebuffed them unequivocally, saying that political constraints prevented them from taxing agriculture. "Agriculture could not be taxed for political reasons and so alternative ways of financing the Plan would have to be found" (B.M. 1974, p. 814).

The prime of the agrarian faction of rich capitalist farmers came with the defeat of the Congress Party and the victory of the Janata in 1977. The defeat of the Congress Party can be seen as the forfeiting of rich peasantry support for Mrs. Gandhi's regime (Byres, 1981, p. 447). The capitalist farmers perceived Indira Gandhi's emergency program of overall structural reform as threatening to their existence.

The richer peasantry therefore sought a more aggressive espousal of their cause and elected the Janata party. During the Janata regime a more active rural lobby

TABLE IV-5

PROFESSIONAL BACKGROUND OF MEMBERS OF LOK SABHA 1952-1980

PRIOR OCCUPATION	NEW MEMBERS					
	I L.S. 1952	II L.S. 1957	III L.S. 1963	IV L.S. 1967	V L.S. 1971	VII L.S. 1980
Agriculturalist ¹	23.3	23.8	33.6	29.3	38.1	33.6
Landlord ²	3.6	3.3	1.9	1.3	1.0	0.5
Political & Social Worker	17.9	19.4	17.9	20.5	18.9	26.9
Lawyers	27.4	23.1	22.4	19.5	18.9	20.8
Industrialists	2.1	1.5	1.5	2.7	0.7	1.7
Teachers & Educationist	7.6	6.6	4.5	7.7	7.3	8.0
Business & Community	8.8	12.8	9.0	8.8	7.3	3.8
Former Rulers	1.2	4.0	1.9	2.7	1.4	1.2
Others	8.1	5.5	7.5	7.4	6.3	3.7

Source: Sheth, 1984, p. 26.

1.The term agriculturalist is used by Sheth (1984, p. 26) to denote the category of modern farmers.

2.The term landlord is used to denote feudal landlords.

came to play a greater role in Indian politics. As noted earlier the proportion of agriculturalists in Parliament has risen from a mere 14.7% in the 1951 election to over 40% in the 1977. Stanley Kochanek has pointed out that, "these members of Parliament have come to act as a commodity lobby to reinforce the substantial voice already enjoyed by the Chief Ministers of the states as spokesman for agrarian interests" (Kochanek, 1974, p. 148).

One of the prominent indicators of the power of the rural lobby under the Janata regime was the amount of resources allocated to agriculture under the Sixth Five Year Plan for 1978-1983. More than 40% (\$60 billion of \$145 billion) was allocated to agriculture and rural development. This represented an increase of more than 100 percent over the previous Five Year Plans when compared with only a 30% increase for industry.

The most vocal and ardent supporters of the rural lobby has been Chowdhry Charan Singh. He is the leader of the Bhartiya lok Dal (BLD) or Indian People's Party, which was one of the main factions of the Janata.¹⁰ The BLD reflects Charan Singh's ideology and sentiments on rural issues.¹¹ He has based his entire philosophy on strengthening the rural sector. Specifically, in his works (Singh, 1947; 1959; 1964; 1978; 1985) he argues for the strengthening of the medium and small landholders in the rural areas. He was initially a member of the Congress

Party and he came to prominence in 1959 when at the Nagpur session of the Congress Party, where he opposed Nehru's proposal for collective farming. He soon quit the Congress and became the first non-Congress Chief Minister of the state of Uttar Pradesh. During his tenure as chief minister of Uttar Pradesh (U.P.) he abolished the Zamindari system in U.P. and supported the consolidation of landholdings by the cultivators. These measures favored the rich peasantry as well as the middle peasantry in Uttar Pradesh. He has consistently ignored the section of agricultural laborers--his pronouncements never touch upon the needs of the agricultural laborers. He has emerged as the most prominent spokesman of the cause of peasants and proprietorship. However, peasant proprietorship has in most cases been extremely beneficial only to rich peasants.

Although Charan Singh was catapulted into power through his regional affiliations, he has transcended those regional affiliations and has now come into prominence as a national leader of the peasants. His party, the Bhartiya Lok Dal (BLD) enjoyed support in Haryana as well as in the Punjab. After the victory of the Janata Party, Charan Singh was appointed the Union Home Minister. Later he became the Finance Minister and the Prime Minister in 1979. As the Finance Minister he produced a budget that was extremely favorable to the

rural rich elements in the agrarian sector. It was dubbed the 'kulak' budget. The budget was extremely favorable to the farmers. It provided the farmers with greater subsidies for agricultural inputs than in previous years-duty on fertilizer was reduced by half, mechanical tillers, light diesel oil used in electric water pumps and other implements useful in irrigation on large farms were either exempt from taxation or were subject to less taxes. The commercial banks were directed to offer lower interest rates for rural borrowers.

One of the more visible signs that the rich peasantry is in position of power and was exercising influence through the BLD faction of the Janata party was the appointment of A.S. Kahlon as the chairman of the Agricultural Price Commission. One of the demands of the peasantry, expressed in the Farmers convention of May 1973, was to increase the prices of agricultural commodities. The Agricultural Price Commission (APC) had been subject to intense criticism by the Farmers conventions for keeping the support and procurement prices of agricultural commodities extremely low. The appointment of A.S. Kahlon of the Punjab Agricultural University as the chairman of the APC is an indication of the rising power of the agrarian elite at the central level. A.S. Kahlon has been a vociferous advocate of higher prices for agricultural commodities. In the next chapter we will

analyze the rise of agricultural prices in greater detail, but suffice it to say that after the appointment of Kahlon, the recommended supply and procurement prices were extremely high for wheat and rice. Therefore the long standing demand of the peasantry was met under the Janata regime.

Notes

1. This concept is borrowed from Byres (1981). For an elaboration of this concept see Marx in The German Ideology and The Poverty of Philosophy in R.C.Tucker ed. (1978).
2. The origin of the term "Green Revolution" has been hard to trace (Byres, 1972, p. 100). It is a weighted term for the implication is that because of increased production through peaceful, technological means, the "red revolution" has been avoided in the Indian countryside.
3. Paddy=unchafed rice.
4. It is interesting to note that the introduction of the new strategy did eventually change the relations of production in the countryside. This aspect of the Green Revolution will be discussed in the later part of the chapter.
5. However, recently these states have been showing some dynamism in foodgrain production.
6. For an elaboration of the debate on the mode of production see Thorner (1982).
7. By the capitalization of agriculture we mean that technological innovations have been accepted, a sizable surplus is marketed for cash, reinvestment in agriculture occurs and wage labor is employed.
8. "The so called "vote banks" are still controlled by them as illustrated by the fact that in the Punjab Assembly 45 out of 64 members are rated as owners, in Haryana the respective numbers are 30 and 52 . . ." (Wolf Ladejinsky: Quoted in Charan Singh, 1978, p. 23)

9. For the use of this phrase, I owe an intellectual debt to Dr. C.P. Bhambri, the Dean of the School of Social Sciences at Jawaharlal Nehru University, New Delhi. A Political Scientist, by profession, Dr. Bhambri has been an acute observer of the Indian political system and is one of the noted authorities on bureaucracy in India.

10. The Janata Party was created in the Tihar Jail, New Delhi, during the emergency. The opposition members who had been arrested by the Indian government conferred during their term of imprisonment and decided that the only way to pass a real challenge to India's regime was to provide a United Front of the opposition parties. So the Jan Sangh, Bhartiya lok Dal, the Lohia Socialists and Congress for Democracy formed the Janata party and fought the battle together, emerging victorious in the election.

11. I am very grateful to Ch. Charan Singh for providing me the opportunity to interview him and also read his unpublished manuscript (1985).

CHAPTER V

THE POLITICAL ECONOMY OF PRICE SETTING: THE STATE, RURAL ALLIANCE AND THE TERMS OF TRADE IN AGRICULTURE

In the previous chapter we discussed the rise of agrarian elites from being a "junior Partner" in the ruling alliance to becoming an equal partner in the ruling alliance, from being politically involved only in local and state politics to becoming important actors in the national political arena. This chapter will examine the utilization of acquired political power, at the national level, by the agrarian elites to obtain favorable prices for wheat and rice. In doing so, we will examine the nexus between politics and economics. Certainly the linkage between politics and economics is not new, nor is the attempt to show that agrarian elites gain through the setting of higher prices. What is unique is the examination of the political process whereby the elites have been able to influence price setting decisions in Indian agriculture. At what levels, through what mechanisms, are these political dynamics used to influence pricing policies of wheat and rice in India? What is the role of agrarian elites? What is the role of the Indian

State? These are some of the issues addressed in this chapter.

In India the state has been the main and crucial actor in the political process of price setting. In the first decade of independence the partial state control of the food economy had been accepted in principle and the state had been accepted as the major source of food distribution. The Indian government had to formulate a policy whereby grain could be procured internally to complement the grain imports for meeting distributional demands. Indications of strong consumer orientation were visible in the agricultural policy under the First and the Second Five Year Plan of the Government of India. In the First and the Second Five Year Plans, consumers were protected through the institution of such measures as "statutory control over prices, public distribution of commodities in short supply, restrictions on their interstate movements, regulation of bank credit and forward trading and adjustments in export and import quotas" (GOI, APC Report, 1980, p. 1).

It was only in the Third Five Year Plan that agricultural policy was designed to include producers. The Third Five Year Plan emphasized that the producer of foodgrains must get a reasonable return in the form of high prices for foodgrains. It was determined that the distortions produced in the market by traders and

foodgrain dealers prevented the market from functioning as a fair and judicious allocator of prices to the producer. Therefore in order to insure a fair return to the producer, a commission called the Agricultural Prices Commission was created by the Government of India on the basis of the Jha Committee Report.¹

The Agricultural Prices Commission was set up to advise the Government of India on the pricing of agricultural commodities within the framework set up by the Government of India. Producer protectionism was one of the most striking features of the guidelines given to the Commission. It appeared that the government was changing its traditional position to consider the protection of the producer at least as important, if not more, as the protection of the consumer. The Food Corporation of India was also established to undertake the purchases and distribution of foodgrains. The purchasing of foodgrains was undertaken on the basis of the price guidelines set by the Government of India.

The creation of the Agricultural Prices Commission was very beneficial to the farmers. Coupled with the evolution of fertilizer responsive high yielding varieties of grain, the effective implementation of supportive price policy was the insurance that was needed by the capitalist farmer. The removal of price uncertainties for the farmer was the right incentive needed to bring out the production

possibilities inherent in Indian agriculture. Two price policies were set up for the farmer--the minimum support price and the procurement price. The procurement prices announced by the Government of India, on the recommendation of the Agricultural Prices Commission and in consultation with the state (regional) governments of India, are the prices at which the central government (through the Food Corporation of India) and the state government (through their state agencies) agree to buy grain. Minimum support prices are the prices at which the government agrees to buy all grain of Fair Average Quality (F.A.Q.) if market prices fall below the announced price. It is a pre-determined fixed price that guarantees and protects the income of the farmers. Since a few years the support and the procurement price are the same and are calculated as the procurement price.

The setting up of the Agricultural Prices Commission and the Food Corporation of India gave the state a major role in the food economy of India, even greater than the years in which the state controlled the purchase and distribution of imports. With an increase in the importance of the state in the food economy of India, we cannot ignore the role that it continues to play in the market as well as in the politico-economic system as the authoritative allocator of rewards and benefits. In order to understand policy making and price setting in

agriculture in India an analysis of the role of the state and the nexus of state-societal interaction is crucial. It is only in this context that we will find a clue to the nexus between politics and economics and arrive at a more sensitive understanding of the political economy of price setting.

The Policy Process

The Actors

An analysis of the complex politico-economic nexus, must be preceded by an understanding of the process by which agricultural price policy is made in India. The main actors involved in the process of price formulation are the regional state governments--the Ministry of Agriculture, the Ministry of Food and Supplies and the Chief Minister of the state; the Agricultural Prices Commission now known as the Commission of Agricultural Costs and Prices; the Ministry of Food and Civil Supplies, the Ministry of Agriculture and Rural Development, the Finance Minister, the Cabinet Ministers and the Prime Minister of the Indian State.

The State Governments

The views of the state government, formulated in the State Ministry of Agriculture as well as in the Ministry of Food and Supplies, are expressed to the Chief Minister of the State through the local representatives of the

farmers. The Chief Minister of the state discusses these views with the various cabinet ministers and submits these views to the central government, accompanying these views with cost of cultivation data that has been collected by the states. The state governments conduct their own cost of cultivation studies separate from the cost of cultivation studies that are done by the Agricultural Prices Commission.² These cost of cultivation studies are conducted with the help of their own staff of the Economics and Statistical Organizations of the Ministry of Agriculture and the staff from the land grant universities. The Punjab Agricultural University in Ludhiana, Punjab and the Agricultural University in Hissar, Haryana are both examples of the land grant universities used in the process of data collection. The cost of cultivation studies provide important information for the setting up of price indices by the state governments. In both Punjab and Haryana, the state Ministry of Agriculture and the State Ministry of Food and Supplies cannot afford to ignore the political aspects of price setting as the state legislative assemblies are composed mainly of farmers (see Table IV-4).

Most often the prices suggested by the state governments are much higher than those suggested by the Agricultural Prices Commission. This is especially true of the surplus producing states.³ Those states that have a

low production of grains suggest relatively low prices. There is a cost-benefit rationality that leads food deficit states to present such low figures. Since they are the major buyers of food grains, and participate in inter-state trading through the Food Corporation of India and other regional state trading boards, they obviously favor and suggest lower grain prices than states that are the net sellers of grain. Both Punjab and Haryana, net sellers of foodgrain, provide almost 90% of the foodgrain bought by the Food Corporation of India (Government of India, Ministry of Food and Civil Supplies, 1985). The states of Punjab and Haryana suggest higher prices (for Haryana, see Table V-3) because the legislative assemblies of these states of are captured by agriculturalist (see Table IV-4).⁴ The influence of the farmers is considerable at the level of the regional states and is often conveyed to the national level through the Chief Minister of the state. The Chief Ministers of the states have been influential through the National Development Council. However, in recent years the influence of the National Development Council in policy making has declined and the Council rarely meets. With the demise of the National Development Council, the influence of the farmers is conveyed through other forums, i.e. organizations like the Farmers Forum, the Parliamentary Forum of Farmers and the Kisan cells of political parties. It is also conveyed in the meetings

that the Chief Ministers individually have with the Commission and the Government of India.

The regional states are used by the capitalist farmers to make their demands known to the Commission as well as to the Government of India. In Punjab, for example, the Punjab Khetibari Zamindara Union (a union of farmers), a forerunner of the Bhartiya Kisan Union in Punjab, has fought eight agitations taking up several of the demands of the peasantry. The union has a broad support base and is now found in all the districts of Punjab except Kapurthala (Gill and Singhal, 1984). Although the union has included very general demands, it has only agitated for the demands of the rich peasantry, namely that of higher prices for foodgrains and lower prices for factors of production (Singh, 1983). This is in contrast to the concerns of the poor peasantry, the majority of whom are net buyers of food, spending on the average 60-80% of their total expenditure on subsistence items (see for instance, Table VI-4) and who also do not derive any direct benefits from government subsidized inputs of the Green Revolution technology.⁵ The leadership of the union is in the hands of the rich peasantry:

Nearly 80% of the leaders own more than six acres of land and 49% own more than 11 acres of land. 95% have electric tubewells/pumping sets. 84% have mechanical threshers and 68% have tractors. They have been the

beneficiaries of the Green Revolution as well of government concessions. (Gill and Singhal, 1984, p. 1729)

The Union demanded the abolition of the Agricultural Prices Commission and the replacement of that Commission by the Commission for Agricultural Costs and Prices. The Agricultural Prices Commission was renamed the Commission for Agricultural Costs and Prices.

In Haryana, the local unit of the Bhartiya lok Dal as well as the local unit of the Farmers Forum and the Kisan Cell of the Congress Party are extremely involved with the rich farmers. Although there are differences of opinion between the different groups in the political struggle for regional power, all political parties are committed to the principle of increase in prices. The local unions make their demands known to the state ministers and through their state representatives make their demands known to the Government of India (Mehta, 1980).

The Agricultural Prices Commission

The Agricultural Prices Commission is the price advisory body to the Government of India. It is an organization that was created in 1965 under the Shastri regime. It has, since its inception, been headed by a distinguished economist, supported by a Member Secretary and a member. The third member used to also be a professional economist. However, in the early seventies he

was replaced by a farm member. The position of the Chairman of the Commission as well that of the other member is transitory. The position of the Member Secretary is a permanent one and is occupied by an agricultural economist. A small technical staff is also given to the Agricultural Prices Commission to help in the statistical and non statistical computations essential to the functioning of the institution. As a result of lobbying by farm interests and expressed dismay at the elite nature of the Commission, a member with the practical experience of farming has been added. In 1985 Sardar Buta Singh, the Minister of Agriculture, announced that the Agricultural Prices Commission would also include a panel of farmers, representative of the different regions of India to ensure the representation of differential agricultural demands.

The Agricultural Prices Commission functions on the basis of the terms of reference that were enumerated at its birth. These terms of reference have often prevented the Agricultural Prices Commission from being unequivocal in its support of the farming community. Specifically, the following terms of reference have limited the Commission:

- (i) the need to provide incentive to the producer for adopting improved technology and for developing a production pattern broadly in the lights of national requirements,
- (ii) the need to ensure rational utilization of land water and other production resources,
- (iii) the likely effect of the price policy on the rest of the economy particularly on the cost of living, level of wages, industrial

cost structure, etc. (Government of India, APC, 1980, p. 4)

The criteria utilized by the Agricultural Prices Commission for determining the appropriate level of prices is multifaceted. The Commission is restricted in the setting of prices by the following considerations, at least theoretically:

1. Cost of Production
2. Risk Factor
3. Change in Input Prices
4. Market Prices
5. Demand and Supply
6. Effect on the Cost of Living
7. Effect on Industrial Cost Structure
8. Effect on General Price Level
9. International Market Price Structure
10. Parity Approach
 - (a) Inter-crop Price Parity.
 - (b) Input Output Parity.
 - (c) Parity between raw material and finished product prices.
 - (d) Parity between prices paid and prices received.
11. Trend Approach. (Kahlon and Tyagi, 1983, p. 170)

The cost of production provides the farmer with the assurance of equitable and remunerative returns on his crop. The Commission can do so by fixing prices that are remunerative to the farmer. These prices do not only take the cost of production into consideration but are also attentive to the risk factor, and the trends in output, and input prices, since in making his decision to sow crops the farmer partially bases his judgement on the announced prices.⁶

The data to assess the cost of production that is incurred by the farmers was traditionally provided by the Farm Management Studies of the Government of India. However, because of the slowness and inaccuracy of the data available, the Standing Technical Committee introduced the Comprehensive Scheme for Studying the Cost of Cultivation of the Principal Crops. This Scheme was to be managed by the Directorate of Statistics and Economics in the Ministry of Agriculture and Rural Development. Through a very elaborate mechanism (see Appendix II) the costs of production are determined by the Agricultural Prices Commission. Yet this alone does not determine the prices of these commodities. Market Prices for input factors, international prices, the prices of other commodities, and the effect such commodities will have on other parts of the economy particularly on the industrial sector, are the other factors that are taken into consideration by the Commission.

The Ministries of the Government of India

There are various ministries of the Government of India that are involved in the process of price setting. The Ministry of Agriculture and Rural Development is involved through the Agricultural Prices Commission as well as through its Directorate of Economics and Statistics. Both these organizations, as we have seen, are involved in the mechanics of data collection as well as in

the mechanics of price setting. The recommendations of the Agricultural Prices Commission, based on the data gathered by the Directorate of Economics and Statistics, are made to the Minister of Agriculture and Rural Development. The Minister of Agriculture and Rural Development presents the data to the Cabinet ministers meeting under the leadership of the Prime Minister. Hence all the Cabinet Ministers are involved in the decision to set the prices for the Government of India. In particular, the Minister of Food and Civil Supplies is an important actor. His interest is normally to keep the prices of the foodgrains low, since he is responsible for the mechanics of distribution and the cost of subsidizing the distribution of food. However, the Minister of Food has recently been also appointed from the state of Haryana, as was visible in the case of Rao Birender Singh. This ensures that the interests of the farmers are not negelected in the pursuit of low foodgrain prices. THe Minister of Finance also has an influential vote in the meetings of the cabinet. However, all the ministers are inclined to be more favorable to the interests of the farmers because of the "threat" of electoral defeat at the regional level.⁷

Kisan Organization--The Farmers Forum

The Farmers Forum is a "non-political" body that was created to protect the interests of farmers. Although there are other representatives of the farmers bodies,

they have only occasionally voiced their interests directly to the Agricultural Prices Commission. The Farmers Forum is run from a small and unpretentious building in the Nizamuddin area of New Delhi, by the General Secretary--Mr. Bholay. In the several interviews that I had with him in the summer of 1985, he indicated that the Forum had been persistent in making its demands known to the Agricultural Prices Commission through letters as well as through the representatives of the Forum.⁸ The Farmers Forum is run by a Governing Body. In a list acquired through the Forum, we found other channels that are used by the Forum to influence the politics of pricing, mainly its political affiliations. A selective list of its Governing body members is attached along with the list of their political positions (see Table V-1).

The list clearly shows the linkages between the Farmers Forum and the Government of India as well as the governing members of the grain producing states. The penetration of the government by the Farmers Forum members is critical for it facilitates the expression of farmer demands in the legislature as well as in the policy process. One of the demands that has been repetitively expressed by the members of the Forum is that of higher prices for farm commodities.⁹ However, it is important to note that in the political process of price setting the

TABLE V-1

SELECTIVE LIST OF THE GOVERNING BODY MEMBERS OF THE FARMERS FORUM

<u>Farmers Forum</u>	<u>Position in Government</u>
Dr. Bal Ram Jakhar Chairman.	Speaker of the Lok Sabha (Lower House). Congress Party Member.
Rao Birender Singh Member	Minister of Food and Civil Supplies. ¹⁰ Congress Party Member
Sardar Buta Singh Member	Minister of Agriculture and Rural Development
Pratap Singh Kairon Member	Congress Party Member
Prakash Singh Badal Member	Ex Minister of Agriculture Member of Parliament- Punjab
Surjit Singh Barnala Member	Member of Parliament- Punjab
Ved Pal Singh Member	Deputy Speaker-Haryana Vidhan Sabha
Shamsher Singh Member	Minister of Irrigation and Power. Government of Haryana
S.S. Sisodia Member	Chairman, Food Corporation of India.

Source: List of governing body Members as well as ordinary members acquired during interview. Farmers Forum. New Delhi. Summer 1985.

farmers have used state institutions rather than farm organizations to further their interests.

The Process

Around the month of January, the Agricultural Prices Commission requests state governments for detailed information on developments in agriculture in their states. The views of the state governments are sought on the viability of certain alterations in the agricultural programs, the suitability of already implemented and soon to be implemented programs, the estimations of the state governments on the costs of production and the prices desired by the state governments. From the series of questions addressed to the state governments, the two that are most important relate to the cost of production calculated by state governments and the price levels requested by them.

Till approximately ten years ago, the state governments sent two responses.¹¹ One of the replies was from the state's Ministry of Agriculture asking for higher prices for wheat and Paddy, the other was from the state's office of the Food Commissioner asking for lower prices. The two departments were obviously seeking to appease two different pressure groups, namely the farmers and the consumers respectively. The Department of Agriculture and Rural Development of the Governments of Haryana and Punjab always requested higher prices for wheat and paddy,

whereas the Department of Food requested lower prices on behalf of consumers who are the net buyers of agricultural commodities. However, since the past 10 years state governments have changed their focus and now present a unified picture by sending only one request. At present the debates generally occur at the state level and are resolved by the Chief Minister. In states like Punjab and Haryana where the primary revenues of the state come from the sale of agricultural commodities and the political constituency is made up of farmers, the demands for higher prices has become a major theme of the state governments. Today, the division exists between the grain exporting states and the grain importing states. However, the division on prices requested is not so clear between the surplus and the scarce states, for importing states have begun to recognize the importance of material incentives to production.

The response of state governments is followed by a meeting of the Agricultural Prices Commission, the Secretary of Agriculture and Rural Development¹² and the Food Commissioner as well as the Secretary of Food and Civil Supplies of the Government of India. The meeting involves lengthy discussion on the pricing of agricultural commodities. It is at this meeting that the views of the Ministry of Agriculture and Rural Development as well as

those of the Ministry of Food and Civil Supplies are presented to the Commission.

At this time the Commission invites any other organization that is interested in meeting with the Commission. Until about three years ago, the Tonnage Club of India used to meet regularly with the Commission.¹³ The Tonnage club of India was a farmers organization. "Big farmers largely comprise the Tonnage Club" (Tyagi, interview, 1985). The Tonnage Club regularly gave a memorandum to the Commission asking for higher prices. At the same time, the Indian Consumers Union¹⁴ also presented the Commission with a memorandum. Dr. G.S. Bhalla, the Chairman of the Commission, when queried about the influence of each group on the process of policy making commented that "the size of the memorandum reflected accurately the influence" (Bhalla, interview, 1985) that each group had. On examining the two memorandum, I found that the memorandum sent by the Tonnage Club was much more comprehensive in terms of their demands than that of the Union. Their discussion of issues regarding price policies was more sensitive to the issues of food production as well as to variants that the APC takes into consideration. Also, the increase in prices showed the influence that the club had on the policy process.

The Farmers forum has often also put forward their requests to the Agricultural Prices Commission.¹⁵ The

Forum has consistently asked for higher prices. However in the recent years the Forum has not made any such requests. It is possible that the Forum has recognised the increases in agricultural prices and has ceased to make such demands. It is also possible that other channels have proved to be more useful (Bholay, interview, 1985). The Commission has also traditionally met with the Parliamentary Forum of Farmers. The Parliamentary Forum of Farmers consisted of four members, all of them agriculturalists or representatives of agriculturalist interest. Two of these agriculturalists were appointed from the Bajya Sabha--the Upper House of Parliament called the House of States and the other two were from the Lok Sabha--the Lower House called the House of the People. The Parliamentary Forum of Farmers met with the Commission about twice a year. However, since about five years the Parliamentary Forum of farmers has ceased to meet with the Commission. In the early seventies the Commission was "forced" to take on a farm member to appease farm interests who felt that the Commission was not responding to the needs of the farmers. Randhir Singh, a Congress(I) Member of Parliament, was appointed to the Commission as the new farm representative. A substantial increase in the prices of foodgrains followed his appointment.¹⁶

On the basis of all the information that is collected the Commission staff organizes the statistical

calculations and, keeping in mind the imperatives of the various representatives, recommends the prices to the Government of India. The recommendations of the Commission are considered by the Cabinet while meeting with the Prime Minister. It is at this level also that the agrarian lobby, i.e. the parliamentary lobby of agriculturalists, intervenes. Whilst interviewing the officials and ex-officials of the Commission, an ex-chairman of the Commission remarked that it was at the political level that leverage was applied (Prasad, interview, 1985).

This leverage has appeared in two conceivable forms. Firstly at the purely populist level, the fact that nearly 85% of the population is engaged in agricultural activity has required that political actors acknowledge the need to be responsive to agricultural demands. More realistically, the political imperatives of building a support base has often applied pressure at the political level. On another more specific and more influential level we find that the rich farmers have been successful at targeting the regional and central legislature of the state governments and the Government of India (see Tables IV-4 and IV-5). Influence can also be traced to the links between the Farmers Forum and the political positions. Political parties that are farmers parties, like the Bharitya Lok Dal, the party of Charan Singh--the unquestioned leader of the interests of farmers, are the main avenues of interest

aggregation and political influence. Once the political party acquires political power, its leaders are able to wield considerable influence on agricultural price policy.

State Power and Favorable Prices

As a result of the capture of political power by the rich capitalist farmers, the process of policy making is becoming more inclusive of farmer demands.

In the seventies individual farmers as well as farm organizations and political parties had been registering discontent at the pricing policies of the Agricultural Prices Commission, claiming that the prices recommended by the Commission were heavily biased in favor of the consumers and were not reflective of the costs of production incurred by the farmers. Following the global oil crisis in 1974, farm input prices had risen dramatically. However, the rise in prices affected farmers at differential rates. Those farmers who used more inputs were affected more than those who did not. This increase led to a series of agitations usually led by the rich capitalist farmers, for higher support prices for basic foodgrains.

In 1979, responding to pressures from the lobby of rich farmers, both within the parliament as well as in the Forum and the Punjab Khetibari Union, the Janata government tried to change the terms of reference of the Agricultural Prices Commission. However, it was thwarted

in its effort by Dharm Narain, the chairman of the Commission. The Janata government, under the leadership of Ch. Charan Singh, tried to get the terms of reference changed to include the principle of "parity price". Dharm Narain felt that the inclusion of this principle,¹⁷ would substantially undermine the ability of the Commission to make recommendations keeping in mind the principle of overall price stability in the economic system (de Janvry and Subbarao, 1984). It is indeed ironic that the terms of reference could not be changed by the Janata government. The Janata government appointed a new chairman to the Commission. The new chairman to the Commission was A.S. Kahlon, an agricultural economist from the Punjab Agricultural University, well known about his views on higher prices for agricultural commodities. Kahlon had always expressed a preference for higher prices for agricultural commodities and his appointment was timely and appropriate to the image of the Janata Party. However, the Janata Party lost a vote of confidence in the Lok Sabha and also lost the new elections. It was the newly formed government of Indira Gandhi which benefitted from the appointment of the new chairman to the Commission. Kahlon's appointment was continued by the Gandhi administration and the principle of "parity price" was included in the terms of reference of the Commission.

This was one of the few issues that all parties in the India political process agreed with. The Janata government as well as the Congress(I) led by Gandhi were in full agreement over the issue of the inclusion of "parity price" in the terms of reference of the Commission. Furthermore, it was the only issue in which the radical political parties found themselves siding with the lobbies of the rich farmers in the more conservative parties, "underscoring a simple--yet crucial fact of the Indian political economy--namely the dominance of the surplus producing rich farms in all political parties" (de Janvry and Subbarao, 1984, pp. 22-29).

In recent years the name of the Commission has also been changed to reflect the changes in the terms of reference. The Commission is now called the Commission of Agricultural Costs and Prices. The change in name is also reflected in the attitude of the Commission. It is now committed to assessing the costs of production as well as assuring the farmers a good return on the prices offered by the Government of India. According to Sardar Buta Singh, the Minister of Agriculture and Rural Development,

The Commission for Agricultural Costs and Prices is required to keep in view the need to provide incentives to the producer for adopting improved technology and for maximizing production . . . (therefore) the Agricultural Prices Commission has been redesignated as the Commission for Agricultural Costs and Prices in order to

focus greater attention on costs. (Interview, 1985)

However, in essence the composition of the Commission has been changed because of the increased agitation of farmers and farm organizations (Mehta, 1980). The demand to change the name of the Commission and therefore the terms of reference of the Commission was voiced both by the Punjab Khetibari Union as well as the Haryana unit of the Bharitya Lok dal and the Farmers Forum. In 1985, Sardar Buta Singh announced that the Commission would also include three members from the rural sector "representing dry land areas, irrigated areas and agricultural laborers" (Interview, 1985). The attention and the responsiveness of the Government of India to the demands of the farmers clearly indicates that the government is partial to the needs of the farmers. The government has provided an interesting and economically feasible rationale for the policy of price support. The government feels that if the production levels of foodcrops are to be kept high in order to provide more foodcrops to the India population, then farmers need to be given greater price incentives:

As economic development proceeds, the demand for farm products does not rise as fast as the demand for industrial goods and servidces owing to the relatively low income inelasticity of demand for farm products. It is precisely for these reasons that government intervntion for price supports becomes necessary. (Kahlon and Tyagi, 1983, p. 3)

In keeping with the economic rationale for providing higher prices to increase production levels along with a provision of subsidized inputs for agriculture, the Indian Government has adopted an aggressive price policy since the late seventies. The adoption of higher prices in the late seventies coincides interestingly with the increase in legislative powers of the agrarian elites. It also coincides with the increasing representation of the farmers in the Commission. Examining the evidence we have for prices, we find that the prices for wheat and rice have recorded a substantial increase. The prices in the late seventies have been calculated on the basis of the parity price principle and are clearly reflective of the power of the agrarian alliance. In addition these prices are also reflective of the prices demanded by the Chief Ministers of the surplus states as seen in Table V-1. Table V-1 compares the price of wheat and rice recommended by the state government of Haryana with those recommended by the Agricultural Prices Commission and those recommended by the Government of India. In recent years the prices recommended by the Indian government are close to those recommended by the state government.

The price of wheat and rice has recorded a substantial increase, with rice recording a price of Rs. 157/ quintal and wheat Rs 157/quintal as well in 1985-86 (GOI, APC Reports, 1985). Analyzing the data that are

provided in Table V-2, it appears that the procurement price for wheat fixed since the mid-sixties has been well above the cost of production. In recent years from 1977-78 has been moving closer to the open market price. This would seem to imply that the rich farmers are becoming more influential in price setting. However, Table V-2 shows that the differentials between the weighted costs of production and the prices offered by the APC and the Government of India are much greater for the earlier years than for the later. On the face of it, this might appear to suggest that the farmers are less influential now than before. However, we know that the Green Revolution was introduced in the late sixties/early seventies. Indira Gandhi, was determined to make it a success. To ensure the success of the Green Revolution, the Government of India offered higher prices to the farmers. These prices were offered for the HYV grain, to provide incentives to the farmers to try the new technology. Also, the rise in oil prices, and the consequential rise in fertilizer prices, increased the costs of production. The government has been able to keep up with the increases, offering the farmers a higher price than the cost of production. These prices are close to the open market prices in recent years, suggesting that the farmers may be influential in the setting of prices.

TABLE V-2

DIFFERENTIAL IN THE COST OF PRODUCTION, PROCUREMENT PRICES RECOMMENDED BY THE APC, AND THE PROCUREMENT PRICES ANNOUNCED BY THE GOVERNMENT OF INDIA (WHEAT)
(RUPEES/QUINTAL)

YEAR	WEIGHTED AVG. COST OF PRODUCTION	PROCUREMENT PRICES		WHOLESALE PRICES ¹
		APC	GVT. OF INDIA	
1970-71	52.56	72.00	76.00	91.4
1971-72	54.77	74.00	76.00	95.9
1972-73	68.92	72.00	76.00	95.8
1973-74	78.31	76.00	76.00	106.3
1974-75	92.77	95.00	105.00	116.5
1975-76	91.63	105.00	105.00	113.0
1976-77	104.90	105.00	105.00	113.3
1977-78	101.90	105.00	110.00	116.3
1978-79	100.79	110.00	112.40	112.8
1979-80 ²	102.76	115.00	115.00	
1980-81	120.40	117.00	117.00	
1981-82	126.80	127.00	130.00	
1982-83	133.20	142.00	142.00	
1983-84	139.60	150.00	151.00	
1984-85	146.00	155.00	152.00	
1985-86	152.40	157.00	157.00	

Source: Agricultural Price Commission Reports, Government of India: Ministry of Agriculture, various issues, Ministry of Food and Civil Supplies, Data obtained in the course of interviews in the summer of 1985.

¹Prices of Punjab (Moga) market.

²Weighted Cost of Production for 1979-80 onwards was projected using simple multiple regression.

Table V-3 compares the demands of the Government of Haryana with the weighted cost of production and the prices recommended by the Agricultural Prices Commission and those offered by the Government of India. It becomes apparent that the demands of the Government of Haryana are much higher than the prices offered by the Government of India. This seems to suggest that the Haryana farmers are not at all influential in the setting of prices. That is too simple an explanation. Compared to the cost of production figures that we have, it is clear that the Government of Haryana is asking for prices higher than the cost of production. The prices offered by the Government of India is giving them prices above the cost of production and prices close to the wholesale market prices. It is possible that the cost of production may be higher in Haryana than in other areas. However, according to Subbarao (1982), a comparison of the costs of production for different regions showed that the costs of production are lower in the agriculturally developed states than the agriculturally less developed states (Subbarao, 1982). Thus the high productivity regions, namely Punjab and Haryana and to a certain extent western Uttar Pradesh, obtain greater benefits from the governmental practice of fixing higher procurement prices. The benefits of increased prices accrue to the large

TABLE V-3

COMPARISON OF WEIGHTED AVERAGE PRODUCTION COST,
HARYANA PRICE DEMANDS, APC PRICE RECOMMENDATIONS,
GOI PRICES (RUPEES/QUINTAL)

YEAR	WGT. AVG COST OF PRODUCTION	HARYANA PRICE DEMANDS	APC PRICE RECOMMENDATION	GOI PRICES OFFERED
1976-77	104.9	-	105	105
1977-78	101.9	-	105	110
1978-79	101	127	110	112
1979-80	103	130	115	115
1980-81	120	145	117	117
1981-82	127	150	127	130
1982-83	133	165	142	142
1983-84	140	170	150	151
1984-85	146	175	155	152
1985-86	152	175	157	157

Source: Agricultural Price Commission Reports, Government of India, Ministry of Agriculture, Various Years; Government of Haryana, Ministry of Agriculture, Directorate of Economics and Statistics.

farmers mostly, who may suffer from the increases in agricultural production.

When all agricultural output increases, all agricultural prices decline. The result is highly detrimental to the farmers' nominal income particularly the large ones. For the small farmer who benefits both from the employment of growing output and from falling agricultural prices as net buyers of food, real incomes increase. For medium and large farmers, however, real incomes fall. . . . (de Janvry and Subbarao, 1984, p. A173)

The fact that the Government of India does not respond to the price demands of the farmers of Haryana by giving them similar prices may be understood in two ways. First, that the Government of India might feel that the prices asked by the Haryana Government are inflated and therefore should be diluted to reflect the actual costs of production as well as the free market prices. Second, it appears that there are institutional as well as leadership constraints placed on the class of capitalist farmers who have occupied power. Institutional constraints, i.e. the constraints placed on the APC in form of the terms of reference, prevent the agrarian leaders from responding irresponsibly to the demands of the Haryana farmers. Also, the fact that leaders are constrained by the positions they hold as well as their perception of national interest (consumers and producers), allows the agrarian elites to offer remunerative and beneficial prices to the farmers without giving them the exact price asked.

State Power and Terms of Trade

It appears that the urban bias of the policy makers in the past decade and a half has been replaced by a rural bias. This rural bias is visible in the policies of the Indian government that favor the agricultural producers as well as in the increased resources that are allocated to them. We should not, however, presume that industrialists are shortchanged or that the Indian State is the state of the agriculturalists alone. This information merely indicates that the agriculturalists are no longer the junior partners either within the state or outside the state. It has also been pointed out that a large part of the resources allocated to agriculture are appropriated by the large farmers. The rural bias of the policy makers is also visible in the increased prices that are offered to the producers of the two major foodgrains--wheat and rice. We also suggest that the terms of trade have moved in favor of agriculture.

The concept of the terms of trade was first used in the international context by Viner (1956) and was sharpened by Kindleberger (1956) to describe the phenomenon of changing ratios between the price of exports and imports of a country. It was also utilized with great distinction by Raul Prebisch (1964) to show that the international terms of trade were biased in favor of manufactured goods and to make a case for the structural

changes in the international economic order. Since its initial usage, the concept of the two sector analysis has been applied to analyze the flow of resources from the agricultural sector to the non-agricultural sector and vice versa. An analysis of the terms of trade involves the usage of Bates' definition of the farmer as a rational actor making important decisions on the basis of prices received as well as prices paid by him in the market.

Farmers are seen as standing at the intersection of three markets. Their real income depends on their performance in these markets. They derive their revenue from the sales they make in the first of the three markets--the market for agricultural commodities. Their profits are a function of the revenues but also of the costs they incur in a second major market--the market for factors of production. And the real values of their income is determined by the prices they must pay in a third major market: the market for consumer goods, particularly commodities manufactured in the city. (Bates, 1981, p. 3)

The issue of the terms of trade between the agricultural sector and the non-agricultural sector in India has been the subject of great controversy. A number of studies have been conducted to determine the terms of trade between the two sectors (Dhar, 1968; Thamarajakshi, 1969; Dantwala, 1976; Mitra, 1977; Tyagi, 1979; Tyagi and Kahlon, 1983). Some of these studies conclude that the terms of trade have moved in favor of the agricultural sector (Dhar, 1968; Thamarajakshi, 1969; Mitra, 1977). Others have concluded that the terms of trade have moved

against the agricultural sector (Tyagi, 1979; Tyagi and Kahlon, 1983). However, all these studies have based their conclusion on econometric calculations alone and have not probed into the reasons for this shift.¹⁸ In our analysis we show a correlation between the rise of agrarian elites and the movements in the terms of trade towards agriculture.

In order to analyze the implications of the political victory of the rural lobby, we analyze the prices offered to the agricultural sector and the prices paid by the agricultural sector. A list of the items that are consumed by the agricultural and the non-agricultural sectors is provided. The items used by the non-agricultural sector, arranged by Kahlon and Tyagi, from the information of the National Sample Survey (1983), include items like oilseeds, jute, cotton, sugarcane, tobacco, etc., for intermediate consumption. The goods for final consumption include cereals, grams/pulses, milk and milk products, meat and meat products, vegetables and fruits and gur (jaggery) etc (see Table V-4).

The agricultural sector uses goods for final and intermediate consumption but also has to purchase goods for capital formation. Goods for final consumption include chemical fertilizers, pesticides, operational costs, diesel oil, etc. Goods for capital formation include those raw materials that are used in agriculture like

TABLE V-4

COMMODITIES PURCHASED BY THE AGRICULTURAL AND
NON-AGRICULTURAL SECTOR

AGRICULTURAL	NON-AGRICULTURAL
<u>Final Consumption</u>	<u>Final Consumption</u>
Cycles	(i) Cereals
Paper	Wheat
Leather Goods	Jowar
Tobacco	Bajra
Textiles	Maize
Medicines	Ragi
Toiletries	Paddy/Rice
Metal Products	(ii) Gram/Pulses
Utensils	(iii) Milk
Edible Oil	(iv) Meat
Sugar	(v) Fruits/Vegetables
Salt	(vi) Jaggery
Kerosine Oil	
Matches	
Electricity	
Coal	
Services	
<u>Capital Formation</u>	<u>Intermediate Consumption</u>
Cement	(i) Oil Seeds
Lime	Groundnut
Transport Equipment	Rapeseed/Mustard
Machinery and Tools	Linseed
Iron, Steel, Ferro Alloys	Seasum
Logs, Timber, Bamboos	Castorseed
Agricultural Implements	(ii) Jute
Bricks	(iii) Cotton
	(iv) Sugarcane
	(v) Tobacco
	(vi) Rubber
<u>Intermediate Consumption</u>	
Chemical Fertilizers	
Operational Costs	
Electricity	
Pesticides and Insecticides	
Diesel Oil	
Oil Cakes	
Salt and Medicine	

Source: Tyagi and Kahlon, 1983, pp. 255, 257.

agriculture implements. A list of these items is presented in Table V-4.

To calculate the incomes of farmers we should take into account all the goods that are used for the production of their crops. However, the calculations of the costs of production by the Agricultural Prices Commission already considers the costs incurred by the farmer. For our purposes we use the prices calculated by the Agricultural Prices Commission to calculate price indices for wheat and paddy.

Using the triennium ending 1972-73 as the base year we calculated the price indices for wheat and paddy. A steady increase in the price indices of both wheat and paddy is visible. Both wheat and paddy prices are calculated by the Commission to provide the farmer with remunerative prices in keeping with the costs incurred by him. These price increases may be seen as inflationary reflecting the increases in the input costs of the farmer. However, the main increase in the input cost of the farmer is in fertilizer usage and fertilizer consumption by the farmer that is increasingly subsidized by the government (Desai, 1986, p. 265) (see Table V-5). Also the prices announced by the Government of India are well above the costs of production (as shown in Table V-2 and V-3). The price increases therefore suggest an underlying

TABLE V-5

FERTILIZER SUBSIDIES IN THE BUDGET OF THE CENTRAL GOVERNMENT

YEAR	TOTAL SUBSIDY (Rs. CRORES)
1971-72	20
1972-73	18
1973-74	33
1974-75	371
1979-80	603
1980-81	505
1981-82	375
1983-84	1,042
1984-85	1,832
1985-86	2,050 (RE)

Source: Gunvant Desai, "Fertilizer Use in India: The Next Stage in Policy" Indian Journal of Agricultural Economics, Volume 41, No. 3, July-September, 1986, pp. 248-270

relationship between the increase in prices and the penetration of the state by agrarian elites:

By espousing the cause of the farmers in a vigorous and persistent manner, parliament has sought to influence the government's price policy in relation to agricultural commodities and has thus, endeavored to secure for the farmer a fair and reasonable return on his produce. This is evidenced by the government agreeing to revise upwards the price of agricultural commodities for particular crops...in the light of the suggestions made by members of parliament. (Lok Sabha debates, reported in the Journal of Parliamentary Information, 1972, p. 94)

To conclude we find that the demands for higher prices made with repetitive frequency through the parliamentary agricultural lobby are being responded to by the government. As a result of which the prices received by the farmer for wheat and rice have risen dramatically.

The prices paid by the agricultural sector for the commodities purchased by the sector are listed in Column 4, Table V-6. Kahlon and Tyagi (1983) had already calculated the price indices for all commodities purchased by the agricultural sector using the same base year up to 1977-78. Since I could not obtain National Sample Survey data or data from the Central Statistical Office for the years from 1980 through 1985, I projected figures for the following years on the basis of the information already available, doing simple multiple regression. The projection showed two distinct rates of growth in the

prices paid by the agricultural sector. A steady increase from 1971-72 to 1974-74 was followed by a levelling of the price increases. The data suggests that the prices paid by the agricultural sector were becoming more stable and were increasing at a less rapid, but even pace. Since this trend seemed to be more indicative of the later years we used 1974 as a base year to avoid the distortion that could have been introduced using the earlier years. In comparison the prices paid by the agricultural sector have not kept pace with the prices received by the agricultural sector. The terms of trade have moved in favor of the sector producing wheat and paddy. Table V-6 shows that the indices of the terms of trade between wheat and the industrial sector have moved from 101.3 to 102.08 and for paddy have moved from 94.47 to 123.69, a clear indication that the terms of trade have moved in favor of wheat and rice. The changes in the terms of trade occurred in the seventies when the agrarian lobby both within the state as well as in Haryana and Punjab was asking for greater resources for the agricultural sector. The shift in the terms of trade is a reflection of the growing power of the agrarian lobby in the political apparatus of the Indian state.

Conclusion

The issue of price increases and the penetration of the state apparatus by the rich farmers has generated

TABLE V-6

A MEASURE OF THE TERMS OF TRADE BETWEEN THE AGRICULTURAL SECTOR AND THE INDUSTRIAL SECTOR

Indices of Prices Received by the Wheat and Rice Sector of the Food Economy and of all the Prices Paid by the Agricultural Sector

(Triennium Ending 1972-73=100)

YEAR	WHEAT	PADDY	PRICES PAID BY THE AG. SECTOR ¹	<u>TERMS OF TRADE</u>	
				WHEAT	PADDY
1970-71	99.09	92.39	97.79	101.3	94.47
1971-72	100.84	93.4	102.27	99.50	91.3
1972-73	99.09	114.09	109.66	90.36	104.04
1973-74	104.59	134.0	128.35	81.49	104.40
1974-75	130.74	134.0	162.11	80.65	82.66
1975-76	144.5	134.0	164.0	88.12	81.71
1976-77	144.5	134.0	168.34	85.84	79.60
1979-80	158.27	162.9	179.9	85.67	88.17
1982-83	195.43	239.0	199.28	98.07	119.93
1983-84	206.44	248.1	204.13	101.13	121.54
1984-85	213.32	258.4	208.97	102.08	123.69

Source: Government of India, Agricultural Prices Commission Reports, Several Years.

¹Kahlon and Tyagi, 1983, p. 262.

considerable controversy in the Indian political system. It is argued that increases in prices have created an environment that is conducive to greater production by the farmers. Increased prices along with the implementation of the green revolution has created a climate that is favorable to the producer of agricultural commodities. However, these price increases have

benefitted only the rich farmers who are the net sellers of agricultural commodities. The small farmers and agricultural laborers who are the net buyers of agricultural commodities have not benefitted by the increase in the prices of wheat and rice. It has been argued that with the shifts in the terms of trade from the non-agricultural sector to the agricultural sector, production of food crops will be higher. A cursory look at the data shows us that this has been the case. However, on examining the growth rates in the performance of Indian agriculture we find that "there is a general consensus that Indian agriculture has maintained a steady growth rate of about 3% since independence in 1947" (de Janvry and Subbarao, 1984, p. A166). The shifts in the terms of trade have prevented a drop in this rate of growth. With the exception of wheat and in the late seventies paddy, no other crop has sustained such growth rates (discussed in Chapter IV). It is obvious that the price increases in wheat and rice offered by the Government of India have indeed benefitted the class of agrarian elites--the rich capitalist farmers. As the evidence suggests, this may be in part because of the penetration of the state apparatus by a class of rich farmers and in part because of the development ideology of state elites. However, we also see that the state leaders are constrained in their ability to react, both institutionally as well as by their perception

of national interest. They are constrained by their desire to secure electoral support as well as by the terms of reference of the Commission.

The discussion has pointed to us the fact that the rich capitalist farmer is a rational actor. He is not only a rational economic actor but also a rational political actor. The producer has consistently asked for higher prices for wheat and rice. In a situation following the Green Revolution in which there was an overflow of production, market prices of wheat and rice would have plummetted. By securing the support of the government apparatus, the producer of foodgrains assured the return of reasonably high prices for wheat and rice. He did this by capturing the state apparatus and by making sure that the terms of reference of the price setting institutions were changed for his benefit. The implications that the increase in prices have for the rest of the economy as well as for the rest of the social structure are phenomenal. "Price fixing for wheat and rice is generally inflationary for the general price level in the country, through the income gains it creates for the medium and large farmers" (de Janvry and Subbarao, 1984, p. A173). The inflationary tendencies of price fixing are disastrous for the rest of the economy as both the urban and the rural landless workers and the small farmers are hurt by the increase in prices leading to a decline in real wages

(see Chapter VI). Price increases are beneficial to only a certain section of the rural classes and do not benefit all the rural actors. Thus the increases registered in the price of wheat and paddy have served to exacerbate the existing inequalities in the rural system.

Notes

1. For a full review see the Jha Committee Report (1963).
2. Interview with B.S. Singh--Joint Deputy Advisor--Statistics Directorate of Economics, Haryana State Government, Summer 1985.
3. Surplus producing states for example, Punjab and Haryana, have more to gain from higher prices because higher prices bring greater revenues to the state.
4. Government of India, Ministry of Food and Civil Supplies. Data was furnished by Joint Secretary G. Vishwanath from the unpublished files of the Ministry showing that 95% of the foodgrain that was acquired by the Food Corporation of India came from Haryana and Punjab.
5. Ashok Mitra (1977, p. 120) shows the market dependence of rural households for foodgrains and indicates that the poor peasants, i.e. those without land and those with less than 2.5 acres of land, is between 74% and a 100%. In the light of this any increases in the prices of food is detrimental to their standard of living.
6. This assertion is based on a normative assumption that the farmer is a rational individual doing cost benefit analysis.
7. Interview with Sardar Buta Singh, Minister of Agriculture and Rural Development, Summer 1985 and with Rao Birender Singh, Minister of Food and Civil Supplies. Summer 1985.
8. This was corroborated by Dr. K. Prasad, ex-chairman of the Commission and also through the Parliamentary debates that were published in the Journal of Parliamentary Information, Government of India.

9. Even though the Farmers Forum brings together various demands, it is not used as frequently as other methods to obtain higher prices. Agrarian elites in government positions are more often used for this purpose.

10. He was removed from office in 1986. There were rumors of corruption and political patronage.

11. Interview conducted with D.S. Tyagi, Member Secretary Agricultural Price Commission.

12. The highest bureaucratic rank in the ministry.

13. The Tonnage club was a farmer organization with its membership being largely made up of wealthy farmers. It has since been disbanded.

14. The Indian Consumers Union represented consumers interests.

15. This was learnt through interviews with Dr. Bholay. No written evidence of their request was available. However, Parliamentary debates have often made reference to the petitions made by the Forum and presented to the Price Commission.

16. Randhir Singh resigned from the commission in 1982 (approximately). He is now heading the Kisan Cell of the Congress Party in New Delhi.

17. The principle of parity price implies that the price of agricultural commodities would take into consideration the changes in the price of factors of production as well as the changes in manufactured goods. It implies that the prices in agriculture will rise in proportion to the rise in other prices.

18. Mitra (1977) is an exception. However, his analysis lacks a historical and politically detailed look at the rise of agrarian elites.

CHAPTER VI

THE STATE AND FOOD DISTRIBUTION THE IMPACT OF INCREASED FOOD PRODUCTION ON CONSUMPTION

At the core of the notion of increasing agricultural productivity in foodgrains lies the idea that it is essential to provide food for every member of the population. Embedded in this notion are at least two levels of concern--one deals with the most basic normative values, the other with prudential and practical questions. The normative value, that favors increasing agricultural production to provide adequate nutrition, is that of social justice and equity. The capacity of the state to provide indigenous source of food is the prudential and practical issue that is embedded in the idea of increased agricultural production. The objective of this chapter is to assess the impact of agricultural productivity, on the nutrition of the "vulnerable population" of India, keeping in mind the increasing dependency of the state on rural elites.

Keeping the issue of social justice in mind, the main objective of this chapter is to analyze the effects of (a) increased production and (b) increased prices on the "vulnerable" population in the rural strata. In essence

then we are analyzing the mechanism of distribution and the impact that distribution policy has on the "vulnerable" sections of the Indian population. What impact has increased agricultural production had on the distribution mechanisms of the state? Has increased production benefitted the distributional program and helped the program meet its goals? What impact have increasing price policies had on meeting the nutritional needs of the population? These are some of the issues addressed in this chapter.

Before we proceed, we must identify the "vulnerable" population in the rural strata.¹ In rural areas, the economically vulnerable sections of the population are mainly comprised of the small and marginal farmers and landless laborers. To study the changes in the conditions of this vulnerable population, we will analyze:

- (a) movements in the real income of the economically vulnerable rural population,
- (b) expenditure of rural households on food,
- (c) foodgrain consumption patterns,
- (d) movements in the prices of foodgrains and the way these movements influence different segment of the population.

The Evolution of the Public Distribution System

The Public Distribution System of Foodgrains (PDS) has been operating for over forty years in India. The

first series of Fair Price Shops (FPS)² started immediately after World War II and by 1942 experiments had begun with the public rationing of foodgrains.

Market intervention by the colonial state in India was largely a response to the situation of famine in India. Historically it was not unusual to have localized famine every fifty years or so, all of them largely confined to the drought related areas (Bhatia, 1963). It was only in the last quarter of the nineteenth century that India was taken over by a countrywide famine. Between the years of 1860 and 1909, India suffered twenty such famines. Government intervention in the market became a hotly debated issue. Following the Bengal famine of 1942, the first scheme for the centralized purchase of foodgrains emerged in 1942 at the Sixth Price Conference.³ The conference resolved that government monopoly of foodgrains was essential both in the spheres of procurement and distribution. The scheme could not be successfully implemented, yet it was an indication that food distribution and procurement was being taken seriously. It was becoming more apparent to the colonial government that food procurement and distribution were inextricably linked (Knight, 1954).

A separate department of food was established by the government of India on December 2, 1942. However, the central government did not have the infrastructure to

procure and distribute foodgrains and the provincial government in the food surplus areas were not cooperating. The Bengal Famine of 1943 was making the situation worse. The colonial state imposed trade barriers between the surplus and the deficit provinces and permits to trade were only given out to the deficit provincial government. Towards the end of 1943, the Government of India was beginning to doubt whether the problem of food procurement and distribution could be resolved. The Government of Bengal maintained that if the central government could not deliver the goods, then they must lift all trade barriers. The tension between the central and the provincial governments, soon led to a heated debate on the merits and demerits of the unrestricted free trade and modified trade systems.

The issue of free trade versus control was clinched, at the Third Food Conference held on July 1943, with a categorical rejection of free trade. The conference also appointed a Foodgrain Policy Committee to analyze the food situation in India. The appointment of the food committee marks a watershed in the history of food distribution in India. It was on the report of this committee, led by Sir Theodore Gregory, that the foundations of the food policy of India were laid. The Committee reported that the Government of Bengal as well as the central government had ignored the lessons learned from the provinces of Uttar

Pradesh, Punjab and Bihar, where it had been conclusively shown that under the condition of scarcity, procurement should be carried out by the state not by firms chosen from the private sector. The Committee recommended the building of a reserve stock (Government of India, 1943). Following the submission of the report, the system was further extended to include three new variants:

- 1) Statutory rationing, where no free trade was allowed simultaneously,
- 2) Non-statutory rationing where, if the consumer wanted, he could buy his total requirement from the ration shop, and free trade was allowed to exist,
- 3) Non statutory, controlled distribution to the needy people where no minimum quantity was guaranteed and the availability of supplies largely determined the quantities to be distributed.

The Committee for Famine Inquiry (GOI, 1943) certainly did not resolve matters for the post independence government. Under the Nehru government, various factions within the Congress party (the dominant party controlling both center and state governments) battled about foods policy and distribution. Ambiguity and uncertainty characterized India's food policy from 1947 to 1962 (Nicholson, 1968). The policy fluctuated freely from controls to decontrols, and from the takeover of wholesale grains, by the government, to the free play of market forces in the food economy.

The Congress leadership was in strong disagreement about the issue of controls and distribution. Nehru had not yet established supreme control over the Congress party. The Commodity Prices Board, the Planning Commission and the political leaders aligned with Nehru supported controls. Sardar Vallabhai Patel whose support base was feudal, and the Gandhians, led by Mahatma Gandhi himself, strongly opposed the controls.

To resolve the issue, a second Foodgrains Policy Committee was appointed under the chairmanship of Sir Purshottamdas Thakurdas to advise them on the food situation in India, "in light of domestic production and the possibilities of import" (GOI, 1947, p. 1). The Committee advocated the liquidation of imports in slow stages, steps to increase domestic production, the building of a buffer stock as well as the creation of an organization to handle the procurement and distribution of food grains. Before the recommendations of the committee could be accepted or rejected, the political weight of Gandhi caused the introduction of immediate decontrols in the whole country (Mangat Rai, 1973). It is important to note, that this was immediately after independence, when Nehru still was under the guidance of Gandhi. "The 1947 Foodgrains Committee had prescribed, indirectly, some precautions and preconditions of a decontrol policy which were ignored by him because Mahatma's word was Supreme"

(Chopra, 1981, p. 55). The decision to remove controls had serious repercussions, with the price of food rising by about 30%. In September controls were re-established.

However the issue of controls was not yet settled. Rafi Ahmed Kidwai, the Food Minister in 1952, despite his loyalty to Nehru perceived an erosion of strength of the group led by Nehru vis a vis the "right wing" of the Congress faction (Frankel, 1978, p. 142). He decided to remove controls. For a couple of years the removal of controls worked very well, but by 1957 the policy of laissez faire and a bad harvest had depleted the buffer stock of a meager 9.2 lakh tons of wheat. Between 1950 and 1957, food prices rose by about 50%. By the end of 1957, the situation was so vulnerable that Inter-State trading was re-introduced. A Southern Rice Zone was formed to remedy the local deficits with Zonal surpluses. Three Wheat Zones were also formed to promote regional self-sufficiency, avoiding cross movement of grain and avoiding speculative activity (GOI, 1957-58). The number of Fair Price Shops was also increased, from 18,000 in October 1956 to 29,000 in September 1957. The Foodgrains Enquiry Committee of 1957 emphasized, that the continuation of imports was essential until India had the capacity to meet the food demands of the population internally. However, the committee considered it essential that the food production of the agrarian sector be given the appropriate

resources for rapid growth. It also emphasized, that controls were essential for bringing about a stabilization of prices (GOI, 1957). By 1957, the issue of partial control of the economy had been accepted as a permanent feature of the food economy.

It is important to note here that the control of the food economy and public distribution of foodgrains was limited to the urban sector. Despite the warning of the Foodgrains Enquiry Committee, the Government of India continued to depend on imports of foodgrains to provide the stock for the PDS and did nothing to provide greater resource allocation to the agricultural sector. The urban bias of the first dominant alliance under Nehru was a major contributing factor for this reliance on grain imports.

During the early years of the Public distribution scheme, the system continued to remain an "ad-hoc program, with no clear role defined for the PDS on a continuous basis" (Gupta, 1977, p. 71). After almost 30 years, in 1969, the PDS went through a renewal. The Fourth Five Year Plan advocated new guidelines for the PDS which included the setting up of a buffer stock, emphasis on internal procurement of grains and the extension of the Public Distribution System to the rural areas.

However, this commitment to extend distribution to include the rural areas was soon abandoned when the

National Commission on Agriculture (GOI, 1975) made recommendations that did not include the rural sector. However, once again in the eighties, the government extended the coverage of the PDS to include deficit rural areas. The government has in recent years followed a more or less stable food policy except in 1973-74 when the takeover of wholesale trade was attempted by the Government of India and subsequently abandoned.⁴ However, there is now an acceptance by the government and by the population that a complete decontrol of the food economy will not occur. The experience of past years, of recurring food shortages and inflationary prices, has indicated that a completely unrestricted free market economy cannot be relied upon to bring about an equitable distribution of foodgrains at reasonable prices (Prasad, 1977). The government has taken over the role of the protector of "vulnerable" sections of the community.

It is obvious that the PDS has finally come of age and has been accepted as a permanent feature of the food economy. The function of the PDS in India is to target the "vulnerable" rural and urban population. The "equitable distribution of foodgrains at reasonable prices" is an important objective of the PDS which is sought to be realized through a stiff procurement--policy by the Food Corporation of India and distributed through a number of Fair Price Shops that are present all over India. The

government now procures foodgrains internally, i.e. the procurement needs of the Government of India are fulfilled through grains produced in India.

Distribution and the Rural Sector

Slogans, speeches and parliamentary debates have been used ad nauseam to demand internal procurement of foodgrains through increased food production. Through such political rhetoric a case is being made for higher productivity leading to greater distribution, thereby hinting at a greater possibility that the targeted "vulnerable" population can be reached. But the actual determination of government operations and their success in achieving policy goals is not through an analysis of empty rhetoric but through the clarification and analysis of facts. Therefore, the real issue is whether or not increased production has led to higher nutritional levels and better food consumption patterns for the "vulnerable."

As identified earlier the "vulnerable" rural population is mainly comprised of small and marginal farmers and rural laborers. In order to study the changes in the vulnerable sections of the rural sector, we will analyze:

- 1) Per Capita Net Availability of Foodgrains
- 2) Patterns in real income
- 3) Expenditure of Rural Households on Food
- 4) Consumption Patterns

Per Capita Net Availability of Foodgrains

We begin our analysis by considering the food availability figures in India from 1950 to 1983. Table VI-1 shows per capita net availability of foodgrains in India as well as net availability of foodgrains for cereals and pulses.⁵ For cereal the net availability increased from 47.44 million tons in 1950 to 103.62 million tons in 1983. For cereals per capita availability has also increased from 132.8 kilograms/year in 1950 to 143.6 kilograms/year in 1983. Even though the increase is marginal in terms of availability, the per capita availability of cereals has increased. The Green Revolution, as well as the high price policy of the Indian Government, seems to have worked for increasing the availability of foodgrains. However, this does not naturally imply an increase in consumption. In a later section of this chapter we analyze consumption trends to make a holistic analysis of the effects of increased production on distribution and consumption.

The availability data for pulses (lentils) presents a different story. From 8.78 metric tons in 1950 to 10.12 metric tons in 1983, the net availability of pulses has also increased, albeit, marginally. However, examining the per capita availability of pulses a substantial decline from 24.6 kilograms/year in 1950 to 14.0 kilograms per year in 1983 is apparent. Thus per capita availability has increased marginally in the case of cereal, but the per

TABLE VI-1

PER CAPITA NET AVAILABILITY OF
FOODGRAINS IN INDIA

YEAR	POPULATION (MILLIONS)	<u>AVAILABILITY</u> <u>NET</u>		<u>PER CAPITA</u> <u>AVAILABILITY</u>	
		CEREALS (MILLION TONNES)	PULSES (MILLION METRIC TONNES)	CEREALS (KILOGRAMS/YEAR)	PULSES
1950	357.3	47.44	8.78	132.8	24.6
1955	389.7	53.04	10.11	136.1	25.9
1960	432.5	60.82	10.38	190.6	24.0
1965	482.5	73.72	10.85	152.8	22.5
1970	538.9	79.29	10.20	147.2	18.9
1975	579.9	80.42	8.76	134.5	14.6
1980	675.2	93.79	7.63	138.9	11.3
1983	732.2	103.62	10.12	143.6	14.0

Source: Sarma, J.S. and S. Roy, 1979, p. 45. For 1983 data Population see the U.N. Demographic Yearbook, 1983 (mid year estimated). For Available data on Cereals and Pulses see GOI, Bulletin on Food Statistics, Ministry of Agriculture, 1982-84.

capita availability of pulses has declined quite dramatically. However, data for per capita availability alone does not provide answers to our dilemma. Per capita availability, even though itself a significant measure, does not provide us with indications of what is actually consumed. However, consumption patterns of the population will depend to a large extent on their buying power of the consumer for satisfying "effective" demand for foodstuffs does not necessarily guarantee that foodstuffs are consumed. Therefore, more sophisticated indicators of

consumption patterns are real income patterns, expenditure of households on food, and longitudinal consumption data.

Rural Labor Households

Since our unit of analysis is the rural labor household, we should examine the increase or decrease in the number of the rural household.

Our discussion of the Green Revolution and the tendencies in mechanized agricultural regions, resulting in the marginalization of the peasantry, lead us to believe that the numbers of rural labor households should have increased. Data from the Rural Labour Enquiry 1974-75 (GOI, 1983), conducted by the Labour Bureau of the Ministry of Labour and Rehabilitation, gives the estimated number of rural households in the country and the proportion of agricultural rural labor households relative to the total for the years 1964-65 and 1974-75. In keeping with population trend, there has been an increase in the number of rural households during the decade ending 1974-75. Table VI-2, shows the number of rural households in the country increased from 70.4 million in 1964-65 to 82.1 million in 1974-75. Though the increase during the decade was 16.6%, the rise in the percent of rural labor households was much higher at 31% (from 17.8 million in 1964-65 to 24.8 million in 1974-75). The rural labor households constituted 30.26% of the total rural households in the country in 1974-75, as compared to

TABLE VI-2
PERCENTAGE DISTRIBUTION OF RURAL LABOR HOUSEHOLD

STATES	ESTIMATED NUMBERS OF RURAL HOUSEHOLDS	PERCENTAGE TO THE TOTAL NUMBER OF RURAL AGRICULTURAL LABOUR HOUSEHOLDS			
		1964-65	1974-75	1963-64	1974-75
		WITH LAND	WITHOUT LAND		
UTTAR PRADESH	12820	15143	7.49	8.99	6.40
PUNJAB	2657 ¹	1820	-	1.74	-
HARYANA	-	1372	1.76	1.63	12.55
ALL INDIA	70385	82083	9.57	12.44	12.22
					12.84

Source: Rural Labour Enquiry, 1974-75, Final Report on Income and Consumption Expenditure of Rural Labour Households. Government of India, 1983, p. 316-317.

¹Information for Punjab includes Haryana.

25.43% in 1964-65. Similarly, the percent of agricultural labor households to total rural households increased from 21.79% in 1964-65 to 25.27% in 1974-75. In the category of labor households, there were more households without land than with land. At the all India level, agricultural labor households with land were slightly fewer than those without land, 12.44% and 12.84% respectively. However, for Punjab and Haryana, there has been an increase in the number of agricultural labor households without land, from 12.55% to 13.37%. Comparing this to agricultural households with land, it becomes obvious that in Punjab 1.74% of the agricultural rural households have land, while 19.13% do not. The numbers for Haryana are 1.53% with land and 7.62% without land. The first figures, showing the increase in the percentage of rural agricultural households without land points to the fact that agricultural modernization marginalized the peasantry.

A Longitudinal Survey of Real Income

For a comprehensive survey of the real income of the vulnerable population, we need two sets of indices--longitudinal data on money wages earned by the population under survey and longitudinal data on relevant price indices. However, no such data was available from any published source on the money wages income of small and marginal farmers. Also no separate price indices were

available for this group. Given the data constraints, we analyzed the data available for agricultural laborers.

Several studies have in the past analyzed the movements in real agricultural wages, in different regions for different time periods, but no consensus seems to have emerged. Several studies have shown a declining trend in real agricultural wages. (Bardhan, 1970; Krishnaji, 1971; Herdt and Baker, 1972; Gupta, 1977). There are a few studies that have identified a positive trend in the real wages of agricultural laborers (Jose, 1974; Lal, 1976). The differences in their findings can be attributed to use of different sources as well as differences in the "time-periods" used for research. Keeping in mind the controversy, and the fact that no conclusive results have been shown, we extend the study to 1980. Arvind Gupta (1977) elaborated upon existing real wage rate studies extending the data up to 1975. Our study extends the existing data to 1980.

The years 1965, 1970, 1975 and 1980 are chosen on the basis of certain factors. The year 1965 represented the year when the new technology, i.e. the Green Revolution was first introduced in India. In 1970, the gains of the Revolution were first realized. The year 1975 was when foodgrain prices reached a peak, and in 1980 the gains of the Green Revolution matured and became a permanent part of the food economy. The results are elaborated in Table

VI-3 which shows the ratio of the wages of agricultural laborers to the Consumer Prices Indices for agricultural laborers.

Analysis of the trend in real wages reveals that in 1980 show a slight increase from 1975 was registered. However, 1975 was a year of very high prices, following a drought. This conclusion is quite similar to that of Westley (1986, p. 210). From the real wages of the year 1965, there is a marginal increase in the real wages for the states of Haryana, Punjab, Gujrat, Uttar Pradesh and Tamil Nadu. However, the increase for Punjab and Haryana is minimal. In light of the increase in production for the same years--71% (see Table IV-1), the increase in real wages for the agricultural laborers does not appear to be significant. This would appear to substantiate the argument that the benefits accruing from higher prices are largely felt by the rich farmers.

For Punjab (including Haryana, Delhi and Himachal Pradesh) round 11 and 12 of the National Sample Survey (1956-57) and round 19 of the survey (1964-65) show that daily wage rates had increased by 17%. However, there was a simultaneous increase in the consumer Price Index by 34%. This implied that there was a decline in real wage rates in Punjab during that period. Agricultural production rose at 42% during this period. It did not however, ameliorate the penurious situation of

TABLE VI-3

REAL WAGES FOR AGRICULTURAL LABORERES IN SELECT STATES
(RATIO OF AGRICULTURAL WAGES TO PRICE INDEX)

STATE	YEARS			
	1965	1970	1975	1980
Haryana	.80	1.30	.81	1.00
Andra Pradesh	2.40	1.98	1.24	2.20
Assam	2.29	2.15	1.71	1.80
Bihar	1.33	1.18	---	1.40
Gujrat	1.50	1.76	0.94	1.70
Uttar Pradesh	1.52	1.52	0.87	1.80
Kerala	3.03	1.98	1.56	1.99
Tamil Nadu	0.91	1.05	0.74	1.70
Punjab	0.98	1.50	1.02	1.10

Source: A. Gupta, 1977, p. 29. For 1980 see Agricultural Wages in India 1979-80, Ministry of Agriculture, GOI, New Delhi. Also Westley, 1986.

agricultural laborers. This trend continuing into 1980 with only a marginal increase in wages. However, prices have increased tremendously and since agricultural laborers are net buyers of food, the situation has worsened.

Table VI-3 shows us data that brings to light evidence about the effects of increased production on consumption of agricultural laborers. Firstly, it appears that there are regional variations in the buying power of agricultural laborers and therefore a presumed variation in their food intake. Secondly, despite increased production, real wages of agricultural laborers have

eroded or only increased marginally. Despite the fact the governmental legislation has been enacted to ensure that the wages of agricultural laborers increased proportionally to the rise of prices, because of the unorganized nature of the rural work force, agricultural laborers are not able to translate government policy into practice. Dandekar and Rath (1971) observe:

The legislation regarding minimum agricultural wages is a facial limitation of the similar legislation existing in the field of organized production. The government believes and wants others to believe that the same protection has been extended to workers in the unorganized sector as exists for workers in the organized sector. But this is patently false. The situation is more so because of the collective bargaining that the industrial workers have resorted to. This is not possible in the unorganized sector where a small amount of irregular and intermittent employment is enveloped in a large amount of unemployment and under employment. (Dandekar and Rath, 1971b, p. 111)

Consumption Patterns

Consumption patterns and changes in those patterns provide us with an indication of food intake by the laborers. There are several ways in which consumption patterns as well as adequacy of consumption can be deciphered. An analysis of the kinds of foods that are consumed, the quantities in which they are consumed by different rural groups, and aggregate as well as per capita intake are all indicators of consumption. Another

indicator that provides us information on the consumption trends of agricultural laborers is income expenditure on food.

Expenditure on Food

To study the changes in the percentage of income expended on food items, we have data available from the Rural Labour Enquiry 1974-75, Final Report on Income and Consumption Expenditure of Rural Labour Households. (GOI, 1983). There is an incredible gap between the time the surveys were conducted and their publication in 1983. However, this data for 1974-75 is the latest that we have available. This is also the most important source of data on rural labor in the country. The results are shown in Table VI-4.

The data in Table VI-4 shows a general increase in the annual expenditure by households on food for the states of Kerala, Tamil Nadu and Bihar.. There has also been an increase in the percentage of total consumption expenditure on food. Since expenditure on food is income inelastic, in reality this increase implies a fall in the standard of living. The implications of increased spending on food items is significant. Increased spending on food can imply greater food intake. Yet income inelasticity of food tells us that this may not be the case. Increased spending on food can also imply higher prices of foodgrains and other food items. In Chapter V we saw

TABLE VI-4

ANNUAL EXPENDITURE OF AGRICULTURAL LABOR HOUSEHOLDS ON FOOD

SELECT STATES	ANNUAL EXPENDITURE PER HOUSEHOLD ON FOOD (Rs.)	1963-64	1974-75	% OF TOTAL CONSUMPTION EXPENDITURE ON FOOD (Rs.)	1963-64	1974-74
Haryana	1136	2850	72.0	70.69		
Uttar Pradesh	754	2850	72.3	70.69		
Kerala	692	2165	70.0	72.62		
West Bengal	798	1659	83.0	83.46		
Andhra Pradesh	627	1933	74.1	75.8		
Tamil Nadu	647	1843	68.8	78.15		
Bihar	810	1924	79.3	82.92		
Punjab	1136	3125	79.3	72.92		

Source: Rural Labor Enquiry 1974-75, Labor Bureau, Ministry of Labor and Rehabilitation, GOI, 1983.

that the prices of foodgrains increased dramatically making access to food even more difficult for the "vulnerable" population.

In the case of Punjab and to a marginal extent Haryana and Uttar Pradesh, there appears to have been a decrease in the percentage of total consumption expenditure spent on food. However, only in Punjab does it appear to be significant. According to the Rural Labour Enquiry Report (GOI, 1983), only in the state of Punjab does there appear to be a slight increase in the standard of living with a decline of 7% in the percentage of total consumption expenditure spent on food. This would imply that some of

the benefits of the Green Revolution are filtering through to the laborers. Yet, this is only one indicator and does not give us a holistic picture of the situation.

Per Capita Consumption of Foodgrains

Table VI-5 shows us patterns of per capita food consumption. The decline in per capita consumption between the years 1964-65 and 1974-75 has occurred in all expenditure groups. For cereals the proportion of decline increases as we move to higher income groups. The bottom income group also shows a decline, albeit, marginal.

The relatively sharper decline in higher income brackets may occur because the higher the income group, the greater is the expenditure on non-foodgrains (Sarma and Roy, 1979, p. 35). The marginal decrease as well as the lack of increase in consumption for lower income groups can be explained in terms of the increase in prices. The decline in pulses was shared almost equally by all groups and may be linked to the decline in availability as shown in Table VI-1. It could be possible that a shift in the types of food consumed, is occurring. However, Pulses are the staple food of India and are consumed almost religiously by every population group. They are also the cheapest source of protein. Thus for the bottom 30%, it appears unlikely that decline in consumption could be explained in terms of shifts in tastes. It is more likely that this decline reflects a

TABLE VI-5

PER CAPITA FOODGRAIN CONSUMPTION AND EXPENDITURE
BY POPULATION GROUP

POP- ULATION GROUP	---1964/65---		CONSUMP- TION EXPENSES Rs./MONTH	---1974/75---		CONSUMP- TION EXPENSES Rs./MONTH
	CEREALS	PULSES		CEREALS	PULSES	
Bottom						
30%	11.23	0.87	28.15	11.26	0.48	29.56
Middle						
40%	15.00	1.44	48.30	14.41	0.83	48.10
Top						
30%	19.85	2.42	98.43	17.35	1.33	94.70
Average						
	15.32	1.32	57.29	14.35	0.88	56.57

Source: Sarma, J.S. and S. Roy, 1979, p. 36.

decline in the buying power of the laborers as well as the unavailability of pulses.

The Rural Labour Enquiry Report (GOI, 1983) provides us with a state-wise distribution of per capita daily consumption of rice and wheat by weight as well as that of pulses, for agricultural laborers. The data is shown in Table VI-6. In Punjab and Haryana the per capita daily consumption of rice as well as that of pulses has declined considerably. From 50 grams down to 31 grams of rice were consumed in Punjab in 1963-64 and 1974-75 respectively. Consumption of pulses also declined from 40

PER CAPITA CONSUMPTION OF RICE AND WHEAT

STATES	PER CAPITA DAILY CONSUMPTION OF					
	RICE		WHEAT		PULSES	
	1963-64	1974-75	1963-64	1974-75	1963-64	1974-75
PUNJAB	50	31	310	399	20	11
HARYANA	50	33	310	335	40	24
UTTAR PRADESH	160	132	150	210	60	28
INDIA	260	174	70	76	40	17

Source: Rural Labour Enquiry, 1974-75. Final Report on Income and Consumption Expenditure of Rural Labour Households. Government of India, 1983, p. 316-317.

grams to 24 grams. In Haryana, we find a similar situation. However, in both Punjab and Haryana consumption of wheat increased from 310 to 399 and from 310 to 335 gm respectively. Although impressive when compared to increases in production, this is not so remarkable. However, when we compare to an all India level consumption of wheat from 70 grams to 76 grams, this increase in wheat intake in Punjab and Haryana becomes significant.

In the consumption of wheat an increase of 28.7% in Punjab from a base of 310 grams per capita to 399 grams per capita is registered for 1974-75. In Haryana, though, the registered increase is only 8.06% from 310 grams/capita to 335 grams/capita. This is certainly more comparable to the increase of 8.75% at the All India level. In the case of rice, at an All India level, the daily consumption of rice suffered a tremendous decline from 260 grams to 174, a decline of 67%, similar to the decrease in rice consumption for Punjab and Haryana, i.e. 62% and 67% respectively.

To summarize, the increase in production in Haryana and Punjab do not appear to have affected the per capita consumption of rice, and pulses when compared to the per capita consumption of the same products at the All India level. However, in the case of rice the per capita consumption of wheat appears to have increased by 28.7% for Punjab, 8.1% for Haryana and 40% for Uttar Pradesh.

The production of wheat for the same years has increased by almost 71%. In the light of the production increase, the consumption increase of 8% for Haryana is negligible. For Punjab the increase of 29% is more significant than Haryana but not so significant when compared to the consumption increase in Uttar Pradesh and the increases in production.

Conclusion

We have examined various aspects of the distribution policy and tried to assess whether the politics of increased production has had any impact on the distribution capacity of the state. We did so by analyzing food availability as well as food consumption patterns. In order to have a more accurate assessment of the food consumption patterns we analyzed the movements in real wages, expenditure on food and per capita consumption of food.

The analysis of complex data, that we had available from the Rural Labour Enquiry Report of 1974-75, revealed that increased production in wheat and rice has not been followed by a proportional increase in the nutritional status of the vulnerable population. Westly (1986) compared the agricultural situation in Punjab and Haryana to that in other parts of India. He claimed that the Green Revolution has brought about a greater equitable growth in the two states. However, his analysis was based on very

different indicators like access to land, general growth patterns, fertilizer usage, incidence of poverty, etc. Even though these indicators are important, they do not provide us with accurate data on food consumption patterns in the two states. Moreover the data on poverty and the percentage of population below the poverty line is often based on the creation of artificial lines and hence does not provide the crucial and often extremely important information for food consumption. The information that we analyzed revealed that the situation for agricultural laborers in Punjab and Haryana has not changed in any significant manner but has not matched the increases in production of foodgrains. The benefits of the Green Revolution seem to have been acquired to a great extent by the large and middle farmers.

The effects of state penetration by rich farmers and the subsequent price increases have not been beneficial to the agricultural laborers. The inflationary consequences of price fixing (de January and Subbarao, 1984) have had harmful effects on the real wages of the buyers of agricultural commodities in the rural sector. In the urban sector, which we do not focus on, the price increases are muted by the policy of heavy subsidization (Bora, 1980). However, in the rural areas, even though there have been a number of FPS, the actual supply of foodgrains has been minimal. As a result of which the vast majority of people in the rural areas have to buy grains from the market and

pay higher prices. Because of the government procurement of foodgrains, open market prices in Punjab and Haryana are kept at an artificial high. This is extremely detrimental to the welfare of the laborers in the states.

The policy of price support alone is not enough to increase the welfare of the large majority of rural residents. It needs to be accompanied by policies that redistribute resources and increase the purchasing power of the poorest sections of society.

Notes

1. Our analysis will be limited to the rural areas.
2. These are shops which sell rationed food bought from the Government of India.
3. Numerous Price Control Conferences were held by the Colonial Government in India. The First Price Conference held in October 1939 in Delhi appreciated the relationship of high prices and consumer unrest. The Second Price Conference in January 1940, came to the conclusion that the control of the wholesale market should rest in the hands of the central government and that of the retail market with the provincial government. On 29th November, 1941, the central government gave the state government concurrent powers under the Defense of India Rules (DIR) to exercise the power of prohibition on movement of foodgrains. The Fifth Price Control Conference was held in April of 1942. Most of these interventions were half hearted and the colonial government largely ignored domestic food issues. However, gradually the colonial state realized the importance of government intervention.

4. For details of the government takeover of wholesale trade, see, Ouchi (1974).

5. Pulses= (lentils)

CHAPTER VII

CONCLUSION

Over the last forty years India has moved from a position of dependency to that of self reliance in the food economy. This has occurred despite the charges of urban bias against the policy makers. (Lipton, 1968; Griffin, 1974; Mellor; 1979). To put it bluntly, many researchers had predicted dire consequences for the food sector resulting from the scarce allocation of resources to agriculture, the siphoning of the marketable surplus from agriculture for the purposes of industrialization, improper incentives in the guise of low prices for agricultural products, and from the urban focus of policies guided essentially by the imperative of political necessities. Forty years have passed and the prognosis of "dire happenings" in the production of foodgrains have been belied by the course of events in the development of the food sector. We saw that production of wheat and rice had risen dramatically and the dependence of India on food aid and food imports has declined precipitously. It is apparent that the agricultural producers in India have transcended the physical and biological constraints of the

environment with the help of the Green Revolution, but they have also transcended the social and political impediments of the "urban bias."

An analysis of the evolution of dominant alliances in India and subsequent policy formulations provides us with a clear indication that various political leaders and administrators have different and often conflicting ideas about the path to development. In a society like India, where there were no strong indigenous classes in the immediate aftermath of independence, these ideas became monumental in the type of development that occurred. In India, the first dominant alliance led by Nehru was guilty of "first-think."¹ Thus during the first decade and a half, the urban bias of the Indian leadership became apparent. It was the preferences of the first dominant alliance led by Nehru that created the politics of urban bias. The industrial bourgeoisie was not powerful enough to affect the state. It may not be impossible to find links between Nehru, his political and administrative leaders, and the industrialists, yet it has been documented that Nehru often went against the wishes of the industrialists (Sen, 1982). It has also been shown that even at a later stage in the development of India, the industrialists were only sometimes able to minimally influence policy (Kochanek, 1978).

The second dominant alliance under the leadership of Shastri and Gandhi initiated the pro-agrarian policies which led to the Green Revolution. Thus the preference of state leaders and concomitant state policies changed the mode of production in Indian agriculture. If it had not been for the state actors and their efforts at making the tools for agriculture easily accessible, through credit facilities, extension systems, subsidization of inputs, the mode of production would not have changed. "Project agricultural modernization," which was taken primarily to make India self reliant in food, combined with the Green Revolution to alter rural structures. This process inadvertently helped evolve a class of rural actors that would leave an impact on state policies for years to come.

Under the Janata regime, the power of the rural elites reached a zenith under the leadership of Charan Singh. The class-in-itself, that had emerged as a result of the Green Revolution, now showed clear signs of maturing into a class-for-itself. It was under Janata rule that the power of the rural classes increased. The newly created class of rich farmers gradually captured state power and thereby could consolidate and preserve their benefits through their political leaders.

With the new regime of Rajeev Gandhi, it is clear that a new alliance has emerged. The new alliance is visible in the advisory groups that surround the Prime

Minister. Led by Arun Nehru and Arun Singh, who have both led corporate subsidiaries in India,² it is clear that the new regime is trying to create a balance of power between the agrarian elites and the corporate industrial elites in India. In the early stages of the regime it appeared that the urban bias would emerge again. However, it became apparent to the regime that it could not afford to ignore the rich capitalist farmer in parliament. The last year has seen the prime minister revert to the strategies of his mother, where he can be seen courting the rural sector.

State Elites and Agrarian Change in India:
A Reconsideration

This study examined the significance of the state, particularly the development ideologies of state leaders, in agricultural modernization as well as the social, political and economic consequences of this process. In the light of this study, to what extent can Marxist, pluralist and statist approaches provide adequate explanations of agricultural modernization in India? What is the contribution of the approach utilized in this study, i.e. the role of the state and the development ideologies of state leaders, in shaping the policies of agricultural modernization in India?

Marxist approaches, analyzing policies in India, have emphasized the role of classes. This approach is only

partially applicable to the politics of agricultural modernization and agricultural price setting in India. Even though it explains the ability of the capitalist farmers to obtain higher prices for their products after the seventies, it does not explain why the Agricultural Prices Commission or the Food Corporation of India were established in 1965. In the absence of the class of capitalist farmers who would have benefitted from such an action, the explanatory power of Marxist approaches does not prove to be adequate.

In a similar vein, the pluralist approaches are also not able to provide us with holistic explanations of agricultural modernization and price policies. Applying the pluralist model to India, we can explain the influence of the Farmers Forum, the Bhartiya Lok Dal and the Punjabi Khetibara Zamindari Union in price setting. However, this does not explain why the state elites decided to adopt strategies favoring agricultural modernization, nor the creation of the Agricultural Prices Commission and the Food Corporation of India.

It is only the perspective that is adopted in this dissertation, i.e. that of the state-centered literature focusing on the development ideologies of state elites and the societal constraints imposed upon these elites, that helps explain both the process of agricultural

modernization as well as the political economy of price setting for wheat and rice.

In India we saw that the legacy of a strong powerful colonial state with weak indigenous classes facilitated the emergence of strong leaders committed to specific development policies. These policies came to be carried out by the political and economic institutions created by the state elites.. Thus when India gained independence the state was the most powerful actor. It controlled a large percentage of economic resources as well as had the legitimate use of the means of coercion. It was therefore able to make decisions as it saw fit without the risk of confrontation with a strong class or powerful interest groups.

The initial decision of the state to allocate resources for industrialization strengthened the bourgeoisie who, after the initial setback, could rely on the state for intervention on their behalf. However, with the death of Nehru the urban bias of the state could no longer be sustained and was soon replaced by the rural focus of Shastri. In the particular case of India this transition, from urban to rural bias in policy, occurred during a period of crisis, i.e. the death of a strong leader. It is during these periods of crisis that leaders assume dominant roles and successfully introduce and implement policies that reflect their development

ideologies. For example, Shastri was able to introduce his emphasis on rural development after the death of Nehru. The conditions of famine aggravated by the war with Pakistan, legitimized this emphasis. Indira Gandhi, whose policies fluctuated between urban and rural preference in the early years of her reign, was able to implement her decision to increase India's self-reliance in food. This occurred in the face of famine and the humiliation wrought on India by the decision of the United States to stop shipment of food aid.

The dominance of state leaders is also facilitated by the alliance, degree of cohesion and unity that they are able to create within the state. While in the case of India an ideologically unified state was indeed a far cry from reality because of the ideological differences that existed between state leaders. However, one faction of the state leaders was able to dominate and build a hegemonic alliance to ensure that its views on development were pursued. After his initial struggle with the Patel faction Nehru was able to maintain dominance within the state and his leadership was unquestioned within the state apparatus. However, a crisis ensued with his death, and Shastri became Prime Minister. The political struggle to achieve hegemonic dominance over the state apparatus was quite intense.

To ensure the dominance of the hegemonic intra-state alliance, it was important to build an infrastructure that maintained, and supported and reproduced this alliance. With Nehru and the urban alliance, the creation of the Planning Commission provides adequate testimony towards this assertion. Shastri created the Agricultural Prices Commission as well as the Food Corporation of India and numerous other regional and local organizations related to agriculture. Indira Gandhi continued this pattern.

The experience of India also indicates that the domination of the state by leaders is conditioned by the nature of the relationship of the state with certain interests that benefit from its actions. In India we saw that the modernization of agriculture created a class of rich capitalist farmers who penetrated the state institutions in order to secure greater benefits. The interpenetration of the state with the social order at various levels and in various forms can affect the policy making process of the state with far reaching consequences.. The penetration of the state by capitalist farmers brought about the dependency of the state on the farmers to deliver the goods--food in this case--essential to the survival of the nation. In the meantime such dependency became crucial to the political survival of the leaders.³

In essence then, the capacity of the agrarian elites to penetrate the state apparatus was made possible by the internal contradictions within the state. The dependency of the state to maintain its buffer stuck through internal procurement implied a dependency on the grain producing sector. At the same time, grain procured by the state was to be sold at subsidized prices by the state to the "vulnerable" population. However, over the years the need for procurement and the penetration of the state by farm interests distorted the capacity of the state to reallocate resources. Ultimately, the distributive program of the Indian state became the legal manifestation of subsidies for rich farmers. However, it was also apparent that the state leaders were constrained, to a certain extent, by their position and by institutions. Hence they could respond only partially to the demands of rich farmers.

Given the "case-study" nature of this analysis the findings are not necessarily conclusive or widely applicable. It is not widely applicable given the nature of the Indian case itself. Different from countries in Latin America and Africa where external constraints on the state are more deeply felt and are often a powerful force to contend with, the external dimension is a much more subtle dimension in Indian politics. Surely the world-system analysts placing India in the world capitalist

system would proclaim otherwise. Yet in a comparative perspective the penetration of external actors is definitely more subtle in India than elsewhere.

The Politics of Pricing and the Rational Farmers

The dissertation has analyzed the ways in which political power has been used to manipulate the major markets that determine the incomes of farmers in Punjab and Haryana.

Agricultural policy in India is characterized mainly by its effort to set prices that prove beneficial to the farmers. We have seen that in the late sixties there was a recognition of the agricultural sector as important to development. State elites who had till now pursued the politics of both urban and industrial development were replaced by those who wanted to bring agriculture back in. The techniques of agricultural modernization introduced by the new state elite changed not only foodgrain production patterns but also existing rural structures from the alteration of rural structures evolved the rich capitalist farmers. The income of the farmer was dependent on three markets—the markets for agricultural commodities, the markets for inputs into agriculture and the market for non-agricultural commodities. Thus for the farmer to be economically rational, it would be important to fetch higher prices for the first commodity and lower prices for the others. Farmers from Punjab and Haryana have

constantly lobbied for higher prices of foodgrains and lower prices for agricultural inputs. To "make assurances doubly sure" they have penetrated not only the legislative apparatus but also the price setting institution-the Agricultural Price Commission, now called the commission for Agricultural costs of Prices.

The penetration of the state apparatus to ensure higher prices both for agricultural commodities as well as inputs for agriculture, although embedded in manipulation and opportunism, is still an indication of the economically rational calculations of the farmer. It is also indicative of a political shrewdness that has often either gone unnoticed or has been disregarded by modernization theorists.

Under most circumstances, producers want a higher price for their product. However, once the price is raised it is not easy to assure that the benefits of such raises accrue only to the capitalist farmers. This is assured through various mechanisms. It is assured through the fact that 90% of the foodgrains in the foodgrain stocks held by the Government of India are procured from Punjab and Haryana from the "modernized farms" (Government of India, 1985), and through the power of political patronage that assures the selective dissemination of information, of agricultural inputs and ties to the local extension agents and organizations.

Clearly, then the structure of privilege that is once acquired by the capitalist farmers provides them with a vehicle for their interests. From the success (aggregate terms) of the Green Revolution in which the state provided the farmers not only with biological or technological tools but also material incentives, Theodore Schultz's observation becomes very much to the point:

Incentives to guide and reward farmers are a critical component. Once there are investment opportunities and efficient incentives, farmers will turn sand into gold. (Shultz, 1976, p. 5)

Implication for Price Setting or the Third World

Moving from the theoretical contribution of the work to the practical lessons that we can derive from the experience of India, we are pointed towards the mechanisms of prices, and the implication it has for production. Clearly, we saw that as essential as the technological innovations of the Green Revolution are, the mechanism of support and procurement prices assured the farmer of a reasonable return on his crops. The state's assurance to buy the production of the farmer at a reasonable remunerative price, provided the farmers with an informal insurance policy. In case of market overflow in which prices would plummet, we found the farmer could still receive beneficial prices. This in turn encouraged the farmers to practice modernization techniques which insured

higher crop returns. Price mechanisms help in maximization of production, if maximization is perceived in aggregate terms. However, if maximization is defined as welfare maximization, then merely supporting the agrarian elites and modernizing agriculture will only serve to aggravate the inequalities inherent in the structure.

In part, because the modernization of agriculture occurred in a system with a highly skewed resource distribution and, in part, because of the dependency of the state on agrarian elites, we find that the distributional goals of the state were distorted. In order to assure that the distributional goals of the state are met, it is essential that the state elites ensure either the proper functioning of land reform measures with the minimum of political patronage or that specific programs to target small farmers and agricultural laborers are instituted at the same time as the main project of modernization.

Notes

1. The term "first-think" is used to denote a perception of growth and development that has been extremely popular to this day. It is a perception which is essentially western and focused on the development of industry. It perceives development as urban industrial growth. If at all, agriculture is fitted into the scheme of development, it is often seen as an arena that will provide resources for the purposes of industrialization.

2. Arun Nehru was at 36 the very young president of Jenson and Nicholson, whereas Arun Singh was the marketing controller of Reckitt and Coleman of India Ltd. They are

called the computer kids in government.

3. Food is an extremely explosive resource. There is enough documentation on regime overthrow and unavailability of food to warrant an increase in the vulnerability of the state on food producers

APPENDIX I

LIST OF INTERVIEWEES, OF INTERVIEWS CONDUCTED IN SUMMER OF 1985.

A. C. Agarwal--Joint Secretary of Agriculture. Ministry of Agriculture and Rural Development.

Dr. G. S. Bhalla--Chairman of the Agricultural Prices Commission, 1985; Professor at Jawaharlal Nehru University.

Dr. C. P. Bhambri--Dean, School of Social Sciences, Professor of Political Science, Jawaharlal Nehru University.

Dr. D. A. Bholay--Secretary General Farmers Forum.

A. K. Chibbar--Chief Marketing Enforcement Officer, Agricultural Marketing Board of Haryana State Government.

Bhani Ram Gupta--General Secretary, Foodgrains and Oildealers Association, New Delhi.

Mool Chand Jain--Ex-Finance Minister, Haryana State Government.

Devi Lal--Member of the Legislative Assembly, Haryana, ex-Chief Minister of Haryana. Member of the Bhartiya Lok Dal. party of Ch. Charan Singh.

Madhu Limaye--Member of Parliament.

J. Miglani--Secretary Ministry of Agriculture. Haryana State Government.

Bhagwati Prasad--Chief Administrator. Agricultural Marketing Board of Haryana, Haryana State Government.
Dr. Kamta Prasad--Ex-Chairman of the Agricultural Prices Commission, Professor at the Institute of Public Administration, New Delhi.

Surya Prasad--Secretary, Kisan Sabha (Farmers Federation), Communist Party of India.

Laxmi Narain Poddar--President Foodgrains and Oildealers Association, New Delhi.

Dr. Ashwani Ray--Professor of Political Science. Jawaharlal Nehru University, New Delhi.

Dr. G. R. Saini--Economic and Statistical Advisor, Directorate of Economics and Statistics, Ministry of Agriculture and Rural Development.

Dr. Kiran Saxena--Professor of Political Science. Jawaharlal Nehru University. New Delhi.

Ajay Shankar--Joint Secretary. Ministry of Agriculture and Rural Development.

Meera Shankar--Joint Secretary. Ministry of Foreign Affairs.

Rao Birender Singh--Minister of Food and Civil Supplies.

Sadar Buta Singh--Minister of Agriculture and Rural Development. Congress Party.

Chowdhry Charan Singh--Leader of the Bhartiya Lok Dal--Party of Farmers. Former Prime Minister of India under the Janata Rule in India.

Ch. Randir Singh--Ex-member of the Agricultural Prices Commission, Member of Parliament, member of the Congress Party. Head of the Kisan (Farmers Cell) in the Congress Party.

R. S. Singh--Joint Deputy Advisor - Statistics, Directorate of Economics, Haryana State Government.

Satnam Singh--Controller. Ministry of Food and Civil Supplies (accounts). Haryana State Government.

P. R. Tandon--Member of Parliament, Communist Party of India (Marxists).

Dr. D. S. Tyagi--Permanent Secretary of the Agricultural Prices Commission, which has been renamed the Commission for Agricultural Costs and Prices.

G. V. Viswanath--Joint Secretary, Ministry of Food and Civil Supplies.

Sharad Yadav--Member of Parliament. Bhartiya Lok Dal.

APPENDIX II

COMPREHENSIVE SCHEME FOR STUDYING THE COST OF CULTIVATION OF WHEAT AND RICE

On the recommendation of the Standing Technical Committee, a Comprehensive Scheme for studying the Costs of Cultivation of the principal crops was implemented. The technical details of the comprehensive scheme were worked out by the Institute of Agricultural Research Statistics (IARS). In accordance with the Comprehensive Scheme, a detailed survey of principal crops is carried out in different states (according to crop specialization for a period of one year followed by sub-sample surveys for the crops concerned in the subsequent years. The surveys collect data on inputs and outputs, on the estimation of the cost of cultivation per hectare, yield per hectare and the cost of production per quintal of the crop.

For the purpose of statistical ease, the regional state is divided into a number of homogenous zones having similar cropping patterns, irrigation facilities, rainfall, types of soil etc. The design of the study consists of a three stage sampling unit with the tehsil as the primary unit, a cluster of three villages as the secondary unit and a single village as the operational unit. The

number of tehsils included in a total sample for the state depends on the area under cropping in that state. The tehsils make up a zone.

The study of the cost of cultivation of different crops is taken up by rotation for a period of one year. Subsequently, sub-samples are taken for a number of years. The subsample is generally one-fourth of the total sample. From the main sample and the sub sample the cost data is collected for certain uniform expenditures. Costs are collected on expenses incurred for material inputs, hired human labor, bullock and machine labor etc. and for leased in land. This is called cost A1 and A2 respectively. Cost B is obtained by adding the imputed rental value of the cost of production. Cost C is the weighted average cost that is calculated taking cost A1, A2 and B into consideration.

The costs of cultivation per hectare are estimated for the two individual operational holdings within the clusters by dividing the total cost of cultivation by the total area under the crop. These estimates are then weighted in proportion to the area under the crop of all the holdings to the total area under the crop in the cluster so as to estimate the cost of cultivation per hectare of costs per hectare of the individual items is taken to be the total cost of cultivation per hectare of the crop. Following the same procedure, state level

estimates of yield per hectare are also computed. The cost of production per quintal are then determined by dividing the estimates of the total cost of cultivation per hectare by the estimates of the yield per hectare.

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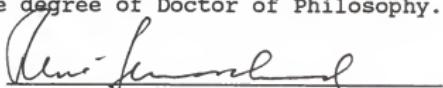
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I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

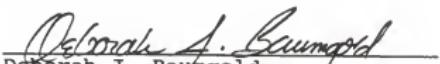


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August 1987

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